

<i>SERFF Tracking Number:</i>	<i>ARKS-125401867</i>	<i>State:</i>	<i>Arkansas</i>
<i>Filing Company:</i>	<i>00006 - INSURANCE SERVICES OFFICE, INC.</i>	<i>State Tracking Number:</i>	<i>#104635 \$50</i>
<i>Company Tracking Number:</i>	<i>CL 2007-RTRP1</i>		
<i>TOI:</i>	<i>09.0 Inland Marine</i>	<i>Sub-TOI:</i>	<i>09.0005 Other Commercial Inland Marine</i>
<i>Product Name:</i>	<i>TRIA</i>		
<i>Project Name/Number:</i>	<i>/</i>		

## Filing at a Glance

Company: 00006 - INSURANCE SERVICES OFFICE, INC.

Product Name: TRIA	SERFF Tr Num: ARKS-125401867	State: Arkansas
TOI: 09.0 Inland Marine	SERFF Status: Closed	State Tr Num: #104635 \$50
Sub-TOI: 09.0005 Other Commercial Inland Marine	Co Tr Num: CL 2007-RTRP1	State Status: Fees verified and received
Filing Type: Rule	Co Status:	Reviewer(s): Betty Montesi, Llyweyia Rawlins, Brittany Yielding
	Author:	Disposition Date: 12/28/2007
	Date Submitted: 12/26/2007	Disposition Status: Filed
Effective Date Requested (New): 01/01/2008		Effective Date (New): 01/01/2008
Effective Date Requested (Renewal): 01/01/2008		Effective Date (Renewal): 01/01/2008

State Filing Description:

## General Information

Project Name:	Status of Filing in Domicile:
Project Number:	Domicile Status Comments:
Reference Organization:	Reference Number:
Reference Title:	Advisory Org. Circular:
Filing Status Changed: 12/28/2007	
State Status Changed: 12/28/2007	Deemer Date:
Corresponding Filing Tracking Number:	
Filing Description:	
CL 2007-RTRP1	

## Company and Contact

### Filing Contact Information

NA NA, NA@NA.com

SERFF Tracking Number: ARKS-125401867 State: Arkansas  
Filing Company: 00006 - INSURANCE SERVICES OFFICE, INC. State Tracking Number: #104635 \$50  
Company Tracking Number: CL 2007-RTRP1  
TOI: 09.0 Inland Marine Sub-TOI: 09.0005 Other Commercial Inland Marine  
Product Name: TRIA  
Project Name/Number: /

NA (123) 555-4567 [Phone]

NA, AR 00000

**Filing Company Information**

00006 - INSURANCE SERVICES OFFICE, CoCode: 6 State of Domicile: Arkansas  
INC.

No Address

Group Code:

Company Type:

City, AR 99999

Group Name:

State ID Number:

(999) 999-9999 ext. [Phone]

FEIN Number: 99-9999999

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## Filing Fees

Fee Required?	No
Retaliatory?	No
Fee Explanation:	
Per Company:	No

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Product Name: TRIA  
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## Correspondence Summary

### Dispositions

Status	Created By	Created On	Date Submitted
Filed	Llyweyia Rawlins	12/28/2007	12/28/2007

<i>SERFF Tracking Number:</i>	<i>ARKS-125401867</i>	<i>State:</i>	<i>Arkansas</i>
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## Disposition

Disposition Date: 12/28/2007

Effective Date (New): 01/01/2008

Effective Date (Renewal): 01/01/2008

Status: Filed

Comment:

Rate data does NOT apply to filing.

SERFF Tracking Number: ARKS-125401867 State: Arkansas  
Filing Company: 00006 - INSURANCE SERVICES OFFICE, INC. State Tracking Number: #104635 \$50  
Company Tracking Number: CL 2007-RTRP1  
TOI: 09.0 Inland Marine Sub-TOI: 09.0005 Other Commercial Inland Marine  
Product Name: TRIA  
Project Name/Number: /

Item Type	Item Name	Item Status	Public Access
Supporting Document	ARKS-125401867		No
Supporting Document	ARKS-125401867-2		No

<i>SERFF Tracking Number:</i>	<i>ARKS-125401867</i>	<i>State:</i>	<i>Arkansas</i>
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<i>Product Name:</i>	<i>TRIA</i>		
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## Rate Information

Rate data does NOT apply to filing.

SERFF Tracking Number: ARKS-125401867 State: Arkansas  
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Company Tracking Number: CL 2007-RTRP1  
TOI: 09.0 Inland Marine Sub-TOI: 09.0005 Other Commercial Inland Marine  
Product Name: TRIA  
Project Name/Number: /

## Supporting Document Schedules

### Review Status:

**Satisfied -Name:** ARKS-125401867 12/28/2007

#### Comments:

parts 1-5

#### Attachments:

ARKS-125401867 1.pdf  
ARKS-125401867 2.pdf  
ARKS-125401867 3.pdf  
ARKS-125401867 4.pdf  
ARKS-125401867 5.pdf

### Review Status:

**Satisfied -Name:** ARKS-125401867-2 12/28/2007

#### Comments:

Parts 6-8

#### Attachments:

ARKS-125401867 6.pdf  
ARKS-125401867 7.pdf  
ARKS-125401867 8.pdf



*SERFF Tracking Number:*      *ARKS-125401867*                      *State:*                      *Arkansas*  
*Filing Company:*              *00006 - INSURANCE SERVICES OFFICE, INC.* *State Tracking Number:*      *#104635 \$50*  
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Attachment "ARKS-125401867 1.pdf" is larger than 3MB and cannot be reproduced here.

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Attachment "ARKS-125401867 2.pdf" is larger than 3MB and cannot be reproduced here.

## FARM

VERSION TE103 -- FARM

### TERRORISM OPTIONS – FEDERAL BACKSTOP

#### Arkansas Terrorism Endorsement

If the policy includes any of the terrorism endorsements as outlined in this rule, attach Arkansas Changes – Terrorism Endorsement **FP 01 81**. This endorsement states that no terrorism exclusions or limitations will apply to any dwelling, other private structures appurtenant to the dwelling, household personal property or an insured's personal or non-business activities.

#### INTRODUCTION

The "Terrorism Risk Insurance Act" ("TRIA") establishes a program within the Department of the Treasury in which the Federal Government will share the risk of loss from terrorist attacks with the insurance industry. Federal participation will be triggered when the Secretary of the Treasury certifies an act of terrorism, in concurrence with the Secretary of State and the Attorney General of the United States, to be an act of terrorism committed by an individual(s) acting on behalf of any foreign interest, provided the terrorist act results in aggregate losses in excess of an amount stated in the Act. With respect to insured losses resulting from a certified act of terrorism, the Federal Government will reimburse individual insurers for a percentage of losses (as stated in the Act) in excess of the insurer's retention, which is based on a specified percentage of the insurer's earned premium for the year preceding the loss. Insured losses covered by the program are capped at \$100 billion per year unless subsequent action of Congress changes that amount; this provision serves to limit insurers' liability for losses. If a terrorism event pierces the cap of a given year, insured losses paid (amounts below the cap) under the federal program may be subject to pro rata allocation in accordance with procedures established by the Treasury. All insurers providing commercial property insurance are required to participate in the program to the extent of offering and making available coverage for certified acts of terrorism in accordance with the terms and conditions of coverage which apply to other perils.

For all new and renewal business, an insurer must make available to insureds coverage for losses caused by certified acts of terrorism. The insurer must disclose to the policyholder the premium for losses covered, and the federal share of compensation for such losses under the program and the existence of the \$100 billion cap, at the time of offer, purchase and renewal of the policy.

#### IMPORTANT GENERAL INFORMATION

In the policy Declarations (or by other means at the insurer's option), it is advisable to indicate applicability of terrorism endorsements by line of business. This is especially important for a package policy that includes both TRIA and non-TRIA lines of business.

#### IMPORTANT INFORMATION REGARDING FARM POLICIES WITH RESPECT TO TREATMENT AS A TRIA OR NON-TRIA LINE OF BUSINESS

On July 11, 2003, the United States Department of the Treasury issued 31 CFR Part 50, the final rule and supplementary information regarding the implementation of Title I of the Act. This final rule clarifies the kinds of insurance that are subject to the provisions of the Act and therefore considered to be eligible to pursue compensation under the federal Program. Livestock insurance is specifically excluded from the "Terrorism Risk Insurance Act" definition of commercial property and casualty insurance and therefore is not subject to the provisions of the Act.

On December 22, 2005, President Bush signed the "Terrorism Risk Insurance Extension Act of 2005" which, in part, extended the provisions of TRIA until 2007 but excluded "farm owners multiple peril" insurance as a line of insurance subject to the provisions of TRIA.

~~On December 29, 2005, the Department of the Treasury issued a notice, titled "Interim Guidance Concerning The Terrorism Risk Insurance Extension Act of 2005", which, in part, clarifies the types of commercial property and casualty insurance covered by the Act. Policies which are considered to be farmowners multiple peril policies (NAIC Annual Statement Line 03) are not subject to the provisions of the Act and are therefore not eligible for compensation under the federal Program. This includes any Farm policy falling under the System For Electronic Rate And Form Filing (SERFF<sup>SM</sup>) Sub Type of Insurance 03.0 Personal Farmowners found in the NAIC Uniform Property & Casualty Product Coding Matrix. Any Farm policy falling under any other SERFF<sup>SM</sup> Sub Type of Insurance category in the NAIC Uniform Property & Casualty Product Coding Matrix, EXCEPT with respect to livestock covered under that policy, remains subject to the provisions of the Act and companies are required to make available coverage for certified acts of terrorism.~~

## FARM

On May 11, 2006, the Department of the Treasury published its Interim Final Rule as part of its implementation of The Terrorism Risk Insurance Extension Act of 2005. On August 25, 2006, the Department of the Treasury issued Supplementary Information pertaining to the Terrorism Risk Insurance Extension Act of 2005, including a Summary of Comments and Final Rule. In part, the rule clarifies the types of commercial property and casualty insurance covered by the Act. Policies which are considered to be farmowners multiple peril insurance are not subject to the provisions of the Act and are therefore not eligible for compensation under the federal Program. The Rule describes the insurance as follows: "farmowners multiple peril insurance, including insurance reported under Line 3 (Farmowners Multiple Peril) of the NAIC's Exhibit of Premiums and Losses (commonly known as Statutory Page 14)." Any Farm policy providing coverage against only a single peril or providing monoline farm insurance coverage, EXCEPT with respect to livestock covered under that policy, remains subject to the provisions of the Act and companies are required to make available coverage for certified acts of terrorism. The Treasury further clarified that "(H)owever, if the monoline policy only insures a personal insurance exposure (residential dwelling), or is otherwise excluded by the Act, the policy is not commercial property and casualty insurance within the meaning of the Act and is not subject to the Act."

**A. THE FOLLOWING PARAGRAPHS, A.1. AND A.2., IN THIS SECTION, A., INSTRUCT ON THE USAGE OF TERRORISM ENDORSEMENT OPTIONS THAT MAY BE ATTACHED TO POLICIES THAT BECOME EFFECTIVE WHILE THE TERRORISM RISK INSURANCE PROGRAM IS IN EFFECT. REFER TO PARAGRAPH B. OF THIS RULE FOR ADDITIONAL INSTRUCTIONS REGARDING THOSE POLICIES THAT WILL CONTINUE PAST THE ANTICIPATED TERMINATION OF THE TERRORISM RISK INSURANCE PROGRAM. POLICIES THAT BEGIN IN THE LAST PROGRAM YEAR OF THE FEDERAL PROGRAM MAY REQUIRE THE USE OF TWO ENDORSEMENTS DUE TO THE ANTICIPATED MID-TERM TERMINATION OF THE TERRORISM RISK INSURANCE PROGRAM.**

When coverage for certified acts of terrorism:

1. When coverage for certified acts of terrorism is to be provided, the following options are available: use Cap On Losses From Certified Acts Of Terrorism Endorsement IL 09 52. Coverage for certified acts of terrorism is subject to the statutory cap on liability for losses and subject to the nuclear hazard exclusion and all other underlying policy exclusions. Coverage for acts of terrorism that are not certified (for example, acts which do not exceed the dollar threshold for federal certification or acts which occur outside the jurisdictional boundary of the federal program) is not subject to the statutory cap.

~~a. Provide coverage for certified acts of terrorism (subject to the cap on liability for losses and subject to underlying policy exclusions such as nuclear hazard) and for any other acts of terrorism (subject to underlying policy exclusions). Use Cap On Losses From Certified Acts Of Terrorism Endorsement IL 09 52.~~

~~b. Provide coverage for certified acts of terrorism (subject to the cap on liability for losses and subject to underlying policy exclusions such as nuclear hazard); provide coverage (subject to underlying policy exclusions) for so-called foreign acts of terrorism which do not exceed the \$5 million threshold for federal certification; and exclude other acts of terrorism subject to a \$25 million threshold (with no dollar threshold on nuclear, biological or chemical events). Use Limited Exclusion Of Acts Of Terrorism (Other Than Certified Acts Of Terrorism); Cap On Losses From Certified Acts Of Terrorism IL 09 59.~~

~~c. Provide coverage for certified acts of terrorism (subject to the cap on liability for losses and subject to underlying policy exclusions such as nuclear hazard); provide coverage (subject to underlying policy exclusions) for so-called foreign acts of terrorism which do not exceed the \$5 million threshold for federal certification; and exclude other acts of terrorism only if those acts qualify as biological or chemical terrorist events. Use Exclusion Of Acts Of Biological Or Chemical Terrorism; Cap On Losses From Certified Acts Of Terrorism Endorsement IL 09 60.~~

2. When coverage for certified acts of terrorism is not to be provided (or is to be provided with a specific limitation), the following options are available:

~~a. Exclude coverage for certified acts of terrorism by using Exclusion Of Certified Acts Of Terrorism Endorsement IL 09 53, and cover other acts of terrorism subject to underlying policy exclusions such as nuclear hazard. The exclusion does not extend to acts of terrorism that are not certified (for example, acts which do not exceed the dollar threshold for federal certification or acts which occur outside the jurisdictional boundary of the federal program). Use Exclusion Of Certified Acts Of Terrorism Endorsement IL 09 58.~~

~~b. Exclude coverage for certified acts of terrorism; and exclude coverage for other acts of terrorism subject to a \$25 million threshold (with no dollar threshold on nuclear, biological or chemical events). Use Exclusion Of Certified Acts And Other Acts Of Terrorism Endorsement IL 09 61.~~

## FARM

- ~~c. Exclude coverage for certified acts of terrorism; and exclude coverage for other acts of terrorism when such other acts qualify as a biological or chemical terrorist event. Use Exclusion Of Certified Acts Of Terrorism And Biological Or Chemical Acts Of Terrorism Endorsement IL 09 62.~~
- db.** Exclude coverage for certified acts of terrorism only when such acts qualify as a nuclear, biological, or chemical or radiological terrorist event; and cover other acts of terrorism subject to underlying policy exclusions. Use Exclusion Of Certified Acts Of Terrorism Involving Nuclear, Biological, Or Chemical Or Radiological Terrorism; Cap On Covered Certified Acts Losses Endorsement IL 09 86. This option may be offered to the insured, at the insurer's option, only when the insured initially rejects certified acts coverage.
- ~~ec.~~ **ec.** Limit coverage for certified acts of terrorism by writing coverage at a sub-limit (lower limit than the limit that applies to other perils). The sub-limit applies on an annual aggregate basis. Coverage for other acts of terrorism for acts of terrorism that are not certified (for example, acts which do not exceed the dollar threshold for federal certification or acts which occur outside the jurisdictional boundary of the federal program) remains subject to full underlying limits. Use Limitation Of Coverage For Certified Acts Of Terrorism (Sub-Limit On Annual Aggregate Basis) Endorsement IL 09 87. This option may be offered to the insured, at the insurer's option, only when the insured initially rejects certified acts coverage.
- ~~f.~~ **f.** Exclude coverage for certified acts and other acts of terrorism only when such acts qualify as a nuclear, biological or chemical terrorist event. Use Exclusion Of Certified Acts And Other Acts Of Terrorism Involving Nuclear, Biological or Chemical Terrorism; Cap On Covered Certified Acts Losses Endorsement IL 09 91.
- ~~g.~~ **g.** Limit coverage for certified acts and other acts of terrorism by writing coverage at a sub-limit (lower limit than the limit that applies to other perils). The sub-limit applies on an annual aggregate basis. Use Limitation Of Coverage For Certified Acts And Other Acts Of Terrorism (Sub-Limit On Annual Aggregate Basis) Endorsement IL 09 92.
- 3.** The exclusions and sub-limit addressed in Paragraph 2. do not extend to fire following an act of terrorism, with respect to states which have a Standard Fire Policy (SFP) statute or similar statute prohibiting such exclusion or limitation for certain property lines of business. Under Endorsements IL 09 53, IL 09 86 and IL 09 87, use the Schedule to indicate applicability of the Exception Covering Certain Fire Losses. That Exception is contained in the aforementioned endorsements.
- Refer to the most current Notice To Manualholders in this Terrorism Supplement for a chart of SFP status by state and line of business.
- 4.** The federal program in general encompasses losses that occur within the United States, with State defined in the Act to include U.S. territories and possessions and the commonwealth of Puerto Rico. For commercial property insurance provided under the Farm Coverage Part, the coverage territory as addressed in Farm coverage forms extends to places such as Canada, that are not included in the federal program, and therefore endorsements relating to certified acts of terrorism are not relevant to acts of terrorism occurring in such places. The foregoing is for information only; this Terrorism Supplement does not address policywriting outside the aforementioned coverage territory.

**B. THE FOLLOWING PARAGRAPHS, B.1. THROUGH B.3., INSTRUCT ON THE USAGE OF CONDITIONAL TERRORISM ENDORSEMENT OPTIONS FOR:**

- **POLICIES THAT BECOME EFFECTIVE DURING THE LAST PROGRAM YEAR OF THE FEDERAL PROGRAM, WITH A POLICY TERM THAT EXTENDS PAST THE TERMINATION DATE OF THAT PROGRAM;**
- **POLICIES WRITTEN TO BECOME EFFECTIVE AFTER THE SCHEDULED TERMINATION DATE OF THE FEDERAL PROGRAM, IF THE DISPOSITION OF SUCH PROGRAM IS UNCERTAIN AT THE TIME THE POLICY IS WRITTEN.**

THESE CONDITIONAL ENDORSEMENTS ARE DESIGNED TO BE USED IN CONJUNCTION WITH (ON THE SAME POLICY AS) THE ENDORSEMENTS DESCRIBED ABOVE AND CAN ALSO BE USED IN THE ABSENCE OF SUCH ENDORSEMENTS. REFER TO PARAGRAPH C. OF THIS RULE FOR POLICIES THAT BECOME EFFECTIVE AFTER THE TERMINATION OF THE TERRORISM RISK INSURANCE PROGRAM.

The following information is based on a scheduled termination date of December 31, 20072014. However, if there is an extension of the federal Program beyond 20072014 and Farm policies which are NOT to be considered:

- Farmowners multiple peril insurance; or
- Monoline Farm policies insuring a personal insurance exposure (residential dwelling).

## FARM

~~falling under a Sub-Type of Insurance OTHER THAN SERFF<sup>SM</sup> 03.0 Personal Farmowners remain~~  
subject to TRIA under such extension, then the following information would apply instead to the last  
Program Year enacted via the extension, provided the federal Program will end on a specified date with  
respect to all policies not considered farmowners multiple peril or monoline Farm policies insuring a  
personal insurance exposure (residential dwelling) ~~for a Sub-Type of Insurance OTHER THAN 03.0 (a~~  
~~so-called hard ending).~~

Policies that become effective on or after January 1, 2007~~2014~~ may not have the federal backstop  
apply throughout the entire policy period. The following conditional endorsement options provide  
insurers with tools to address terrorism exposures given the anticipated termination of the federal  
Program, which may occur during the policy period. The provisions of the conditional endorsement will  
apply commencing when the federal Program terminates or is extended without "make available"  
requirements and with certain changes (revised definition of terrorism; or terrorism coverage made  
subject to terms or conditions different from those that apply to other events; or increase in insurer  
retention of or participation in losses). **If the aforementioned conditions do not occur, the**  
**provisions of the conditional endorsement will not become effective on the policy.**

1. To exclude terrorism coverage, attach Conditional Exclusion Of Terrorism (Relating To Disposition Of Federal Terrorism Risk Insurance Act) Endorsement IL 09 95.
2. To exclude coverage for terrorism that involves nuclear, biological or chemical materials (thereby leaving intact any underlying coverage for terrorism that does not involve nuclear, biological or chemical material), attach Conditional Exclusion Of Terrorism Involving Nuclear, Biological Or Chemical Terrorism (Relating To Disposition Of Federal Terrorism Risk Insurance Act) Endorsement IL 09 96.
3. To provide coverage for terrorism subject to an annual aggregate sub-limit (and subject to underlying policy provisions including exclusions such as the nuclear hazard exclusion and war and military action exclusion), attach Conditional Limitation Of Coverage For Terrorism – Sub-Limit On Annual Aggregate Basis (Relating To Disposition Of Federal Terrorism Risk Insurance Act) Endorsement IL 09 97.

If this conditional endorsement is used along with a sub-limit endorsement described in Paragraph A., do not enter a sub-limit amount for the conditional endorsement. A footnote in the Schedule of the conditional endorsement makes reference to relevant text within the endorsement, which in turn explains that the original sub-limit endorsement states the amount of the sub-limit.

**C. THE FOLLOWING PARAGRAPHS, C.1. THROUGH C.3., INSTRUCT ON THE USAGE OF TERRORISM ENDORSEMENT OPTIONS THAT MAY BE ATTACHED TO:**

**POLICIES THAT BECOME EFFECTIVE ON OR AFTER THE DATE WHEN THE TERRORISM RISK INSURANCE PROGRAM HAS TERMINATED;**

**POLICIES THAT BECOME EFFECTIVE ON OR AFTER THE DATE WHEN AN EXTENSION OF THE TERRORISM RISK INSURANCE PROGRAM HAS GONE INTO EFFECT, IF THE PROGRAM WAS EXTENDED WITHOUT MAKE-AVAILABLE REQUIREMENTS AND WITH CERTAIN CHANGES (REVISED DEFINITION OF TERRORISM; OR TERRORISM COVERAGE MADE SUBJECT TO TERMS OR CONDITIONS DIFFERENT FROM THOSE THAT APPLY TO OTHER EVENTS; OR INCREASE IN INSURER RETENTION OF OR PARTICIPATION IN LOSSES);**

**POLICIES FALLING UNDER SERFF<sup>SM</sup> SUB-TYPE OF INSURANCE 03.0 PERSONAL FARMOWNERS. POLICIES CONSIDERED TO BE FARMOWNERS MULTIPLE PERIL INSURANCE OR MONOLINE FARM POLICIES INSURING A PERSONAL INSURANCE EXPOSURE (RESIDENTIAL DWELLING).**

1. To exclude terrorism coverage, attach Exclusion Of Terrorism Endorsement IL 00 30.
2. To exclude coverage for terrorism that involves nuclear, biological or chemical materials (thereby leaving intact any underlying coverage for terrorism that does not involve nuclear, biological or chemical material), attach Exclusion Of Terrorism Involving Nuclear, Biological Or Chemical Terrorism Endorsement IL 00 31.
3. To provide coverage for terrorism subject to an annual aggregate sub-limit (and subject to underlying policy provisions including exclusions such as the nuclear hazard exclusion and war and military action exclusion), attach Limitation Of Coverage For Terrorism – Sub-Limit On Annual Aggregate Basis Endorsement IL 00 32.

## FARM

VERSION TE104 -- FARM

### TERRORISM OPTIONS – FEDERAL BACKSTOP

#### INTRODUCTION

The "Terrorism Risk Insurance Act" ("TRIA") establishes a program within the Department of the Treasury in which the Federal Government will share the risk of loss from terrorist attacks with the insurance industry. Federal participation will be triggered when the Secretary of the Treasury certifies an act of terrorism, in concurrence with the Secretary of State and the Attorney General of the United States, to be an act of terrorism committed by an individual(s) acting on behalf of any foreign interest, provided the terrorist act results in aggregate losses in excess of an amount stated in the Act. With respect to insured losses resulting from a certified act of terrorism, the Federal Government will reimburse individual insurers for a percentage of losses (as stated in the Act) in excess of the insurer's retention, which is based on a specified percentage of the insurer's earned premium for the year preceding the loss. Insured losses covered by the program are capped at \$100 billion per year ~~unless subsequent action of Congress changes that amount~~; this provision serves to limit insurers' liability for losses. If a terrorism event pierces the cap of a given year, insured losses paid (amounts below the cap) under the federal program may be subject to pro rata allocation in accordance with procedures established by the Treasury. All insurers providing commercial property insurance are required to participate in the program to the extent of offering and making available coverage for certified acts of terrorism in accordance with the terms and conditions of coverage which apply to other perils.

For all new and renewal business, an insurer must make available to insureds coverage for losses caused by certified acts of terrorism. The insurer must disclose to the policyholder the premium for losses covered, and the federal share of compensation for such losses under the program and the existence of the \$100 billion cap, at the time of offer, purchase and renewal of the policy.

#### IMPORTANT GENERAL INFORMATION

In the policy Declarations (or by other means at the insurer's option), it is advisable to indicate applicability of terrorism endorsements by line of business. This is especially important for a package policy that includes both TRIA and non-TRIA lines of business.

#### IMPORTANT INFORMATION REGARDING FARM POLICIES WITH RESPECT TO TREATMENT AS A TRIA OR NON-TRIA LINE OF BUSINESS

On July 11, 2003, the United States Department of the Treasury issued 31 CFR Part 50, the final rule and supplementary information regarding the implementation of Title I of the Act. This final rule clarifies the kinds of insurance that are subject to the provisions of the Act and therefore considered to be eligible to pursue compensation under the federal Program. Livestock insurance is specifically excluded from the "Terrorism Risk Insurance Act" definition of commercial property and casualty insurance and therefore is not subject to the provisions of the Act.

On December 22, 2005, President Bush signed the "Terrorism Risk Insurance Extension Act of 2005" which, in part, extended the provisions of TRIA until 2007 but excluded "farm owners multiple peril" insurance as a line of insurance subject to the provisions of TRIA.

~~On December 29, 2005, the Department of the Treasury issued a notice, titled "Interim Guidance Concerning The Terrorism Risk Insurance Extension Act of 2005", which, in part, clarifies the types of commercial property and casualty insurance covered by the Act. Policies which are considered to be farmowners multiple peril policies (NAIC Annual Statement Line 03) are not subject to the provisions of the Act and are therefore not eligible for compensation under the federal Program. This includes any Farm policy falling under the System For Electronic Rate And Form Filing (SERFF<sup>SM</sup>) Sub-Type of Insurance 03.0 Personal Farmowners found in the NAIC Uniform Property & Casualty Product Coding Matrix. Any Farm policy falling under any other SERFF<sup>SM</sup> Sub-Type of Insurance category in the NAIC Uniform Property & Casualty Product Coding Matrix, EXCEPT with respect to livestock covered under that policy, remains subject to the provisions of the Act and companies are required to make available coverage for certified acts of terrorism.~~

## FARM

On May 11, 2006, the Department of the Treasury published its Interim Final Rule as part of its implementation of The Terrorism Risk Insurance Extension Act of 2005. On August 25, 2006, the Department of the Treasury issued Supplementary Information pertaining to the Terrorism Risk Insurance Extension Act of 2005, including a Summary of Comments and Final Rule. In part, the rule clarifies the types of commercial property and casualty insurance covered by the Act. Policies which are considered to be farmowners multiple peril insurance are not subject to the provisions of the Act and are therefore not eligible for compensation under the federal Program. The Rule describes the insurance as follows: "farmowners multiple peril insurance, including insurance reported under Line 3 (Farmowners Multiple Peril) of the NAIC's Exhibit of Premiums and Losses (commonly known as Statutory Page 14)." Any Farm policy providing coverage against only a single peril or providing monoline farm insurance coverage, EXCEPT with respect to livestock covered under that policy, remains subject to the provisions of the Act and companies are required to make available coverage for certified acts of terrorism. The Treasury further clarified that "(H)owever, if the monoline policy only insures a personal insurance exposure (residential dwelling), or is otherwise excluded by the Act, the policy is not commercial property and casualty insurance within the meaning of the Act and is not subject to the Act."

A. THE FOLLOWING PARAGRAPHS, A.1. AND A.2., IN THIS SECTION, A., INSTRUCT ON THE USAGE OF TERRORISM ENDORSEMENT OPTIONS THAT MAY BE ATTACHED TO POLICIES THAT BECOME EFFECTIVE WHILE THE TERRORISM RISK INSURANCE PROGRAM IS IN EFFECT. REFER TO PARAGRAPH B. OF THIS RULE FOR ADDITIONAL INSTRUCTIONS REGARDING THOSE POLICIES THAT WILL CONTINUE PAST THE ANTICIPATED TERMINATION OF THE TERRORISM RISK INSURANCE PROGRAM. POLICIES THAT BEGIN IN THE LAST PROGRAM YEAR OF THE FEDERAL PROGRAM MAY REQUIRE THE USE OF TWO ENDORSEMENTS DUE TO THE ANTICIPATED MID-TERM TERMINATION OF THE TERRORISM RISK INSURANCE PROGRAM.

When coverage for certified acts of terrorism:

1. When coverage for certified acts of terrorism is to be provided, the following options are available: use Cap On Losses From Certified Acts Of Terrorism Endorsement IL 09 52. Coverage for certified acts of terrorism is subject to the statutory cap on liability for losses and subject to the nuclear hazard exclusion and all other underlying policy exclusions. Coverage for acts of terrorism that are not certified (for example, acts which do not exceed the dollar threshold for federal certification or acts which occur outside the jurisdictional boundary of the federal program) is not subject to the statutory cap.

a. ~~Provide coverage for certified acts of terrorism (subject to the cap on liability for losses and subject to underlying policy exclusions such as nuclear hazard) and for any other acts of terrorism (subject to underlying policy exclusions). Use Cap On Losses From Certified Acts Of Terrorism Endorsement IL 09 52.~~

b. ~~Provide coverage for certified acts of terrorism (subject to the cap on liability for losses and subject to underlying policy exclusions such as nuclear hazard); provide coverage (subject to underlying policy exclusions) for so-called foreign acts of terrorism which do not exceed the \$5 million threshold for federal certification; and exclude other acts of terrorism subject to a \$25 million threshold (with no dollar threshold on nuclear, biological or chemical events). The exclusion does not extend to fire following an act of terrorism due to state statutory requirement. Use Limited Exclusion Of Acts Of Terrorism (Other Than Certified Acts Of Terrorism); Cap On Losses From Certified Acts Of Terrorism; Coverage For Certain Fire Losses Endorsement IL 09 69.~~

c. ~~Provide coverage for certified acts of terrorism (subject to the cap on liability for losses and subject to underlying policy exclusions such as nuclear hazard); provide coverage (subject to underlying policy exclusions) for so-called foreign acts of terrorism which do not exceed the \$5 million threshold for federal certification; and exclude other acts of terrorism only if those acts qualify as biological or chemical terrorist events. The exclusion does not extend to fire following an act of terrorism due to state statutory requirement. Use Exclusion Of Acts Of Biological Or Chemical Terrorism; Cap On Losses From Certified Acts Of Terrorism; Coverage For Certain Fire Losses Endorsement IL 09 70.~~

2. When coverage for certified acts of terrorism is not to be provided (or is to be provided with a specific limitation), the following options are available:

a. Exclude coverage for certified acts of terrorism by using Exclusion Of Certified Acts Of Terrorism Endorsement IL 09 53, and cover other acts of terrorism subject to underlying policy exclusions such as nuclear hazard. The exclusion does not extend to acts of terrorism that are not certified (for example, acts which do not exceed the dollar threshold for federal certification or acts which occur outside the jurisdictional boundary of the federal program). Use Exclusion Of Certified Acts Of Terrorism Endorsement IL 09 58.



## FARM

- ~~b. Exclude coverage for certified acts of terrorism; and exclude coverage for other acts of terrorism subject to a \$25 million threshold (with no dollar threshold on nuclear, biological or chemical events). The exclusion does not extend to fire following an "other act of terrorism" due to state statutory requirement. Use Connecticut — Exclusion Of Certified Acts And Other Acts Of Terrorism; Coverage For Certain Fire Losses Resulting From Other Acts Of Terrorism Endorsement IL 00 41.~~
- ~~c. Exclude coverage for certified acts of terrorism; and exclude coverage for other acts of terrorism when such other acts qualify as a biological or chemical terrorist event. The exclusion does not extend to fire following an "other act of terrorism" due to state statutory requirement. Use Connecticut — Exclusion Of Certified Acts Of Terrorism And Biological Or Chemical Acts Of Terrorism; Coverage For Certain Fire Losses Resulting From Biological Or Chemical Acts Of Terrorism Endorsement IL 00 42.~~
- db. Exclude coverage for certified acts of terrorism only when such acts qualify as a nuclear, biological, or chemical or radiological terrorist event; and cover other acts of terrorism subject to underlying policy exclusions. Use Exclusion Of Certified Acts Of Terrorism Involving Nuclear, Biological, Or Chemical Or Radiological Terrorism; Cap On Covered Certified Acts Losses Endorsement IL 09 86. This option may be offered to the insured, at the insurer's option, only when the insured initially rejects certified acts coverage.**
- ~~ec. Limit coverage for certified acts of terrorism by writing coverage at a sub-limit (lower limit than the limit that applies to other perils). The sub-limit applies on an annual aggregate basis. Coverage for other acts of terrorism for acts of terrorism that are not certified (for example, acts which do not exceed the dollar threshold for federal certification or acts which occur outside the jurisdictional boundary of the federal program) remains subject to full underlying limits. Use Limitation Of Coverage For Certified Acts Of Terrorism (Sub-Limit On Annual Aggregate Basis) Endorsement IL 09 87. This option may be offered to the insured, at the insurer's option, only when the insured initially rejects certified acts coverage.~~
- ~~f. Exclude coverage for certified acts and other acts of terrorism only when such acts qualify as a nuclear, biological or chemical terrorist event. Use Exclusion Of Certified Acts And Other Acts Of Terrorism Involving Nuclear, Biological Or Chemical Terrorism; Cap On Covered Certified Acts Losses Endorsement IL 09 91.~~
- ~~g. Limit coverage for certified acts and other acts of terrorism by writing coverage at a sub limit (lower limit than the limit that applies to other perils). The sub limit applies on an annual aggregate basis. Use Limitation Of Coverage For Certified Acts And Other Acts Of Terrorism (Sub Limit On Annual Aggregate Basis) Endorsement IL 09 92.~~
- 3. The exclusions and sub-limit addressed in Paragraph 2. do not extend to fire following an act of terrorism, with respect to states which have a Standard Fire Policy (SFP) statute or similar statute prohibiting such exclusion or limitation for certain property lines of business. Under Endorsements IL 09 53, IL 09 86 and IL 09 87, use the Schedule to indicate applicability of the Exception Covering Certain Fire Losses. That Exception is contained in the aforementioned endorsements.**  
**Refer to the most current Notice To Manualholders in this Terrorism Supplement for a chart of SFP status by state and line of business.**
- 4. The federal program in general encompasses losses that occur within the United States, with State defined in the Act to include U.S. territories and possessions and the commonwealth of Puerto Rico. For commercial property insurance provided under the Farm Coverage Part, the coverage territory as addressed in Farm coverage forms extends to places such as Canada, that are not included in the federal program, and therefore endorsements relating to certified acts of terrorism are not relevant to acts of terrorism occurring in such places. The foregoing is for information only; this Terrorism Supplement does not address policywriting outside the aforementioned coverage territory.**

## FARM

**B. THE FOLLOWING PARAGRAPHS, B.1. THROUGH B.3., INSTRUCT ON THE USAGE OF CONDITIONAL TERRORISM ENDORSEMENT OPTIONS FOR:**

- **POLICIES THAT BECOME EFFECTIVE DURING THE LAST PROGRAM YEAR OF THE FEDERAL PROGRAM, WITH A POLICY TERM THAT EXTENDS PAST THE TERMINATION DATE OF THAT PROGRAM;**
- **POLICIES WRITTEN TO BECOME EFFECTIVE AFTER THE SCHEDULED TERMINATION DATE OF THE FEDERAL PROGRAM, IF THE DISPOSITION OF SUCH PROGRAM IS UNCERTAIN AT THE TIME THE POLICY IS WRITTEN.**

**THESE CONDITIONAL ENDORSEMENTS ARE DESIGNED TO BE USED IN CONJUNCTION WITH (ON THE SAME POLICY AS) THE ENDORSEMENTS DESCRIBED ABOVE AND CAN ALSO BE USED IN THE ABSENCE OF SUCH ENDORSEMENTS. REFER TO PARAGRAPH C. OF THIS RULE FOR POLICIES THAT BECOME EFFECTIVE AFTER THE TERMINATION OF THE TERRORISM RISK INSURANCE PROGRAM.**

The following information is based on a scheduled termination date of December 31, ~~2007~~2014. However, if there is an extension of the federal Program beyond ~~2007~~2014 and Farm policies which are NOT to be considered:

- Farmowners multiple peril insurance; or
- Monoline Farm policies insuring a personal insurance exposure (residential dwelling).

~~falling under a Sub-Type of Insurance OTHER THAN SERFF<sup>SM</sup> 03.0 Personal Farmowners remain subject to TRIA under such extension, then the following information would apply instead to the last Program Year enacted via the extension, provided the federal Program will end on a specified date with respect to all policies not considered farmowners multiple peril or monoline Farm policies insuring a personal insurance exposure (residential dwelling) for a Sub-Type of Insurance OTHER THAN 03.0 (a so-called hard ending).~~

Policies that become effective on or after January 1, ~~2007~~2014 may not have the federal backstop apply throughout the entire policy period. The following conditional endorsement options provide insurers with tools to address terrorism exposures given the anticipated termination of the federal Program, which may occur during the policy period. The provisions of the conditional endorsement will apply commencing when the federal Program terminates or is extended without "make available" requirements and with certain changes (revised definition of terrorism; or terrorism coverage made subject to terms or conditions different from those that apply to other events; or increase in insurer retention of or participation in losses). **If the aforementioned conditions do not occur, the provisions of the conditional endorsement will not become effective on the policy.**

1. To exclude terrorism coverage, attach Conditional Exclusion Of Terrorism (Relating To Disposition Of Federal Terrorism Risk Insurance Act) Endorsement IL 09 95.
2. To exclude coverage for terrorism that involves nuclear, biological or chemical materials (thereby leaving intact any underlying coverage for terrorism that does not involve nuclear, biological or chemical material), attach Conditional Exclusion Of Terrorism Involving Nuclear, Biological Or Chemical Terrorism (Relating To Disposition Of Federal Terrorism Risk Insurance Act) Endorsement IL 09 96.
3. To provide coverage for terrorism subject to an annual aggregate sub-limit (and subject to underlying policy provisions including exclusions such as the nuclear hazard exclusion and war and military action exclusion), attach Conditional Limitation Of Coverage For Terrorism – Sub-Limit On Annual Aggregate Basis (Relating To Disposition Of Federal Terrorism Risk Insurance Act) Endorsement IL 09 97.

If this conditional endorsement is used along with a sub-limit endorsement described in Paragraph A., do **not** enter a sub-limit amount for the conditional endorsement. A footnote in the Schedule of the conditional endorsement makes reference to relevant text within the endorsement, which in turn explains that the original sub-limit endorsement states the amount of the sub-limit.

## FARM

**C. THE FOLLOWING PARAGRAPHS, C.1. THROUGH C.3., INSTRUCT ON THE USAGE OF TERRORISM ENDORSEMENT OPTIONS THAT MAY BE ATTACHED TO:**

**POLICIES THAT BECOME EFFECTIVE ON OR AFTER THE DATE WHEN THE TERRORISM RISK INSURANCE PROGRAM HAS TERMINATED;**

**POLICIES THAT BECOME EFFECTIVE ON OR AFTER THE DATE WHEN AN EXTENSION OF THE TERRORISM RISK INSURANCE PROGRAM HAS GONE INTO EFFECT, IF THE PROGRAM WAS EXTENDED WITHOUT MAKE-AVAILABLE REQUIREMENTS AND WITH CERTAIN CHANGES (REVISED DEFINITION OF TERRORISM; OR TERRORISM COVERAGE MADE SUBJECT TO TERMS OR CONDITIONS DIFFERENT FROM THOSE THAT APPLY TO OTHER EVENTS; OR INCREASE IN INSURER RETENTION OF OR PARTICIPATION IN LOSSES);**

**POLICIES FALLING UNDER SERFF<sup>SM</sup> SUB-TYPE OF INSURANCE 03.0 PERSONAL FARMOWNERS. POLICIES CONSIDERED TO BE FARMOWNERS MULTIPLE PERIL INSURANCE OR MONOLINE FARM POLICIES INSURING A PERSONAL INSURANCE EXPOSURE (RESIDENTIAL DWELLING).**

1. To exclude terrorism coverage, attach Exclusion Of Terrorism Endorsement IL 00 30.
2. To exclude coverage for terrorism that involves nuclear, biological or chemical materials (thereby leaving intact any underlying coverage for terrorism that does not involve nuclear, biological or chemical material), attach Exclusion Of Terrorism Involving Nuclear, Biological Or Chemical Terrorism Endorsement IL 00 31.
3. To provide coverage for terrorism subject to an annual aggregate sub-limit (and subject to underlying policy provisions including exclusions such as the nuclear hazard exclusion and war and military action exclusion), attach Limitation Of Coverage For Terrorism – Sub-Limit On Annual Aggregate Basis Endorsement IL 00 32.

## FARM

VERSION TE105 -- FARM

### TERRORISM OPTIONS -- FEDERAL BACKSTOP

#### INTRODUCTION

The "Terrorism Risk Insurance Act" ("TRIA") establishes a program within the Department of the Treasury in which the Federal Government will share the risk of loss from terrorist attacks with the insurance industry. Federal participation will be triggered when the Secretary of the Treasury certifies an act of terrorism, in concurrence with the Secretary of State and the Attorney General of the United States, to be an act of terrorism committed by an individual(s) acting on behalf of any foreign interest, provided the terrorist act results in aggregate losses in excess of an amount stated in the Act. With respect to insured losses resulting from a certified act of terrorism, the Federal Government will reimburse individual insurers for a percentage of losses (as stated in the Act) in excess of the insurer's retention, which is based on a specified percentage of the insurer's earned premium for the year preceding the loss. Insured losses covered by the program are capped at \$100 billion per year unless subsequent action of Congress changes that amount; this provision serves to limit insurers' liability for losses. If a terrorism event pierces the cap of a given year, insured losses paid (amounts below the cap) under the federal program may be subject to pro rata allocation in accordance with procedures established by the Treasury. All insurers providing commercial property insurance are required to participate in the program to the extent of offering and making available coverage for certified acts of terrorism in accordance with the terms and conditions of coverage which apply to other perils.

For all new and renewal business, an insurer must make available to insureds coverage for losses caused by certified acts of terrorism. The insurer must disclose to the policyholder the premium for losses covered, and the federal share of compensation for such losses under the program and the existence of the \$100 billion cap, at the time of offer, purchase and renewal of the policy.

#### IMPORTANT GENERAL INFORMATION

In the policy Declarations (or by other means at the insurer's option), it is advisable to indicate applicability of terrorism endorsements by line of business. This is especially important for a package policy that includes both TRIA and non-TRIA lines of business.

#### IMPORTANT INFORMATION REGARDING FARM POLICIES WITH RESPECT TO TREATMENT AS A TRIA OR NON-TRIA LINE OF BUSINESS

On July 11, 2003, the United States Department of the Treasury issued 31 CFR Part 50, the final rule and supplementary information regarding the implementation of Title I of the Act. This final rule clarifies the kinds of insurance that are subject to the provisions of the Act and therefore considered to be eligible to pursue compensation under the federal Program. Livestock insurance is specifically excluded from the "Terrorism Risk Insurance Act" definition of commercial property and casualty insurance and therefore is not subject to the provisions of the Act.

On December 22, 2005, President Bush signed the "Terrorism Risk Insurance Extension Act of 2005" which, in part, extended the provisions of TRIA until 2007 but excluded "farm owners multiple peril" insurance as a line of insurance subject to the provisions of TRIA.

~~On December 29, 2005, the Department of the Treasury issued a notice, titled 'Interim Guidance Concerning The Terrorism Risk Insurance Extension Act of 2005', which, in part, clarifies the types of commercial property and casualty insurance covered by the Act. Policies which are considered to be farmowners multiple peril policies (NAIC Annual Statement Line 03) are not subject to the provisions of the Act and are therefore not eligible for compensation under the federal Program. This includes any Farm policy falling under the System For Electronic Rate And Form Filing (SERFF<sup>SM</sup>) Sub-Type of Insurance 03.0 Personal Farmowners found in the NAIC Uniform Property & Casualty Product Coding Matrix. Any Farm policy falling under any other SERFF<sup>SM</sup> Sub-Type of Insurance category in the NAIC Uniform Property & Casualty Product Coding Matrix, EXCEPT with respect to livestock covered under that policy, remains subject to the provisions of the Act and companies are required to make available coverage for certified acts of terrorism.~~

## FARM

On May 11, 2006, the Department of the Treasury published its Interim Final Rule as part of its implementation of The Terrorism Risk Insurance Extension Act of 2005. On August 25, 2006, the Department of the Treasury issued Supplementary Information pertaining to the Terrorism Risk Insurance Extension Act of 2005, including a Summary of Comments and Final Rule. In part, the rule clarifies the types of commercial property and casualty insurance covered by the Act. Policies which are considered to be farmowners multiple peril insurance are not subject to the provisions of the Act and are therefore not eligible for compensation under the federal Program. The Rule describes the insurance as follows: "farmowners multiple peril insurance, including insurance reported under Line 3 (Farmowners Multiple Peril) of the NAIC's Exhibit of Premiums and Losses (commonly known as Statutory Page 14)." Any Farm policy providing coverage against only a single peril or providing monoline farm insurance coverage, EXCEPT with respect to livestock covered under that policy, remains subject to the provisions of the Act and companies are required to make available coverage for certified acts of terrorism. The Treasury further clarified that "(H)owever, if the monoline policy only insures a personal insurance exposure (residential dwelling), or is otherwise excluded by the Act, the policy is not commercial property and casualty insurance within the meaning of the Act and is not subject to the Act."

**A. THE FOLLOWING PARAGRAPHS, A-1, AND A-2, IN THIS SECTION, A, INSTRUCT ON THE USAGE OF TERRORISM ENDORSEMENT OPTIONS THAT MAY BE ATTACHED TO POLICIES THAT BECOME EFFECTIVE WHILE THE TERRORISM RISK INSURANCE PROGRAM IS IN EFFECT. REFER TO PARAGRAPH B. OF THIS RULE FOR ADDITIONAL INSTRUCTIONS REGARDING THOSE POLICIES THAT WILL CONTINUE PAST THE ANTICIPATED TERMINATION OF THE TERRORISM RISK INSURANCE PROGRAM. POLICIES THAT BEGIN IN THE LAST PROGRAM YEAR OF THE FEDERAL PROGRAM MAY REQUIRE THE USE OF TWO ENDORSEMENTS DUE TO THE ANTICIPATED MID-TERM TERMINATION OF THE TERRORISM RISK INSURANCE PROGRAM.**

When coverage for certified acts of terrorism:

1. When coverage for certified acts of terrorism is to be provided, the following options are available: use Cap On Losses From Certified Acts Of Terrorism Endorsement IL 09 52. Coverage for certified acts of terrorism is subject to the statutory cap on liability for losses and subject to the nuclear hazard exclusion and all other underlying policy exclusions. Coverage for acts of terrorism that are not certified (for example, acts which do not exceed the dollar threshold for federal certification or acts which occur outside the jurisdictional boundary of the federal program) is not subject to the statutory cap.

a. Provide coverage for certified acts of terrorism (subject to the cap on liability for losses and subject to underlying policy exclusions such as nuclear hazard) and for any other acts of terrorism (subject to underlying policy exclusions). Use Cap On Losses From Certified Acts Of Terrorism Endorsement IL 09 52.

b. Provide coverage for certified acts of terrorism (subject to the cap on liability for losses and subject to underlying policy exclusions such as nuclear hazard); provide coverage (subject to underlying policy exclusions) for so-called foreign acts of terrorism which do not exceed the \$5 million threshold for federal certification; and exclude other acts of terrorism subject to a \$25 million threshold (with no dollar threshold on nuclear, biological or chemical events).

(1) When Farm Property - Farm Dwellings, Appurtenant Structures And Household Personal Property Coverage Form FP 00 12 is NOT attached to the policy, use Limited Exclusion Of Acts Of Terrorism (Other Than Certified Acts Of Terrorism); Cap On Losses From Certified Acts Of Terrorism Endorsement IL 09 59.

(2) When Farm Property - Farm Dwellings, Appurtenant Structures And Household Personal Property Coverage Form FP 00 12 is attached to the policy, the exclusion does not extend to fire loss to covered property under the policy following an act of terrorism due to state statutory requirements. Use Arizona Limited Exclusion Of Acts Of Terrorism (Other Than Certified Acts Of Terrorism); Cap On Losses From Certified Acts Of Terrorism; Coverage For Certain Fire Losses Endorsement FP 10 53.

c. Provide coverage for certified acts of terrorism (subject to the cap on liability for losses and subject to underlying policy exclusions such as nuclear hazard); provide coverage (subject to underlying policy exclusions) for so-called foreign acts of terrorism which do not exceed the \$5 million threshold for federal certification; and exclude other acts of terrorism only if those acts qualify as biological or chemical terrorist events.

(1) When Farm Property - Farm Dwellings, Appurtenant Structures And Household Personal Property Coverage Form FP 00 12 is NOT attached to the policy, use Exclusion Of Acts Of Biological Or Chemical Terrorism; Cap On Losses From Certified Acts Of Terrorism Endorsement IL 09 60.

*SERFF Tracking Number:*      *ARKS-125401867*                      *State:*                      *Arkansas*  
*Filing Company:*              *00006 - INSURANCE SERVICES OFFICE, INC.* *State Tracking Number:*      *#104635 \$50*  
*Company Tracking Number:*      *CL 2007-RTRP1*  
*TOI:*                      *09.0 Inland Marine*                      *Sub-TOI:*                      *09.0005 Other Commercial Inland Marine*  
*Product Name:*              *TRIA*  
*Project Name/Number:*      */*

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## CAPITAL ASSETS

Policies that become effective on or after January 1, 2007-2014 may not have the federal backstop apply throughout the entire policy period. The following conditional endorsement options provide insurers with tools to address terrorism exposures given the anticipated termination of the federal Program, which may occur during the policy period. The provisions of the conditional endorsement will apply commencing when the federal Program terminates or is extended without "make available" requirements and with certain changes (revised definition of terrorism; or terrorism coverage made subject to terms or conditions different from those that apply to other events; or increase in insurer retention of or participation in losses). If the aforementioned conditions do not occur, the provisions of the conditional endorsement will not become effective on the policy.

1. To exclude terrorism coverage, attach Conditional Exclusion Of Terrorism (Relating To Disposition Of Federal Terrorism Risk Insurance Act) Endorsement OP 09 20.
2. To exclude coverage for terrorism that involves nuclear, biological or chemical materials (thereby leaving intact any underlying coverage for terrorism that does not involve nuclear, biological or chemical material), attach Conditional Exclusion Of Terrorism Involving Nuclear, Biological Or Chemical Terrorism (Relating To Disposition Of Federal Terrorism Risk Insurance Act) Endorsement OP 09 21.
3. To provide coverage for terrorism subject to an annual aggregate sub-limit (and subject to underlying policy provisions including exclusions such as the nuclear hazard exclusion and war and military action exclusion), attach Conditional Limitation Of Coverage For Terrorism - Sub-Limit On Annual Aggregate Basis (Relating To Disposition Of Federal Terrorism Risk Insurance Act) Endorsement OP 09 22.

If this conditional endorsement is used along with a sub-limit endorsement described in Paragraph A., do not enter a sub-limit amount for the conditional endorsement. A footnote in the Schedule of the conditional endorsement makes reference to relevant text within the endorsement, which in turn explains that the original sub-limit endorsement states the amount of the sub-limit.

**C. THE FOLLOWING PARAGRAPHS, C.1. THROUGH C.3., INSTRUCT ON THE USAGE OF TERRORISM ENDORSEMENT OPTIONS THAT MAY BE ATTACHED TO:**

**POLICIES THAT BECOME EFFECTIVE ON OR AFTER THE DATE WHEN THE TERRORISM RISK INSURANCE PROGRAM HAS TERMINATED;**

**POLICIES THAT BECOME EFFECTIVE ON OR AFTER THE DATE WHEN AN EXTENSION OF THE TERRORISM RISK INSURANCE PROGRAM HAS GONE INTO EFFECT, IF THE PROGRAM WAS EXTENDED WITHOUT MAKE-AVAILABLE REQUIREMENTS AND WITH CERTAIN CHANGES (REVISED DEFINITION OF TERRORISM; OR TERRORISM COVERAGE MADE SUBJECT TO TERMS OR CONDITIONS DIFFERENT FROM THOSE THAT APPLY TO OTHER EVENTS; OR INCREASE IN INSURER RETENTION OF OR PARTICIPATION IN LOSSES).**

1. To exclude terrorism coverage, attach Exclusion Of Terrorism Endorsement OP 09 23.
2. To exclude coverage for terrorism that involves nuclear, biological or chemical materials (thereby leaving intact any underlying coverage for terrorism that does not involve nuclear, biological or chemical material), attach Exclusion Of Terrorism Involving Nuclear, Biological Or Chemical Terrorism Endorsement OP 09 24.
3. To provide coverage for terrorism subject to an annual aggregate sub-limit (and subject to underlying policy provisions including exclusions such as the nuclear hazard exclusion and war and military action exclusion), attach Limitation Of Coverage For Terrorism - Sub-Limit On Annual Aggregate Basis Endorsement OP 09 25.

## CAPITAL ASSETS

### VERSION TE102 – CAPITAL ASSETS (OUTPUT POLICY) PROGRAM

#### TERRORISM OPTIONS – FEDERAL BACKSTOP

##### INTRODUCTION

The "Terrorism Risk Insurance Act" ("TRIA") establishes a program within the Department of the Treasury in which the Federal Government will share the risk of loss from terrorist attacks with the insurance industry. Federal participation will be triggered when the Secretary of the Treasury certifies an act of terrorism, in concurrence with the Secretary of State and the Attorney General of the United States, to be an act of terrorism committed by an individual(s) acting on behalf of any foreign interest, provided the terrorist act results in aggregate losses in excess of an amount stated in the Act. With respect to insured losses resulting from a certified act of terrorism, the Federal Government will reimburse individual insurers for a percentage of losses (as stated in the Act) in excess of the insurer's retention, which is based on a specified percentage of the insurer's earned premium for the year preceding the loss. Insured losses covered by the program are capped at \$100 billion per year unless subsequent action of Congress changes that amount; this provision serves to limit insurers' liability for losses. If a terrorism event pierces the cap of a given year, insured losses paid (amounts below the cap) under the federal program may be subject to pro rata allocation in accordance with procedures established by the Treasury. All insurers providing commercial property insurance are required to participate in the program to the extent of offering and making available coverage for certified acts of terrorism in accordance with the terms and conditions of coverage which apply to other perils.

For all new and renewal business, an insurer must make available to insureds coverage for losses caused by certified acts of terrorism. The insurer must disclose to the policyholder the premium for losses covered, and the federal share of compensation for such losses under the program and the existence of the \$100 billion cap, at the time of offer, purchase and renewal of the policy.

##### IMPORTANT GENERAL INFORMATION

In the policy Declarations (or by other means at the insurer's option), it is advisable to indicate applicability of terrorism endorsements by line of business. This is especially important for a package policy that includes both TRIA and non-TRIA lines of business.

**A. THE FOLLOWING PARAGRAPHS, A-1. AND A-2, IN THIS SECTION, A, INSTRUCT ON THE USAGE OF TERRORISM ENDORSEMENT OPTIONS THAT MAY BE ATTACHED TO POLICIES THAT BECOME EFFECTIVE WHILE THE TERRORISM RISK INSURANCE PROGRAM IS IN EFFECT. REFER TO PARAGRAPH B. OF THIS RULE FOR ADDITIONAL INSTRUCTIONS REGARDING THOSE POLICIES THAT WILL CONTINUE PAST THE ANTICIPATED TERMINATION OF THE TERRORISM RISK INSURANCE PROGRAM. POLICIES THAT BEGIN IN THE LAST PROGRAM YEAR OF THE FEDERAL PROGRAM MAY REQUIRE THE USE OF TWO ENDORSEMENTS DUE TO THE ANTICIPATED MID-TERM TERMINATION OF THE TERRORISM RISK INSURANCE PROGRAM.**

When coverage for certified acts of terrorism:

1. When coverage for certified acts of terrorism is to be provided, the following options are available: use Cap On Losses From Certified Acts Of Terrorism Endorsement OP 09 03. Coverage for certified acts of terrorism is subject to the statutory cap on liability for losses and subject to the nuclear hazard exclusion and all other underlying policy exclusions. Coverage for acts of terrorism that are not certified (for example, acts which do not exceed the dollar threshold for federal certification or acts which occur outside the jurisdictional boundary of the federal program) is not subject to the statutory cap.

a. Provide coverage for certified acts of terrorism (subject to the cap on liability for losses and subject to underlying policy exclusions such as nuclear hazard) and for any other acts of terrorism (subject to underlying policy exclusions). Use Cap On Losses From Certified Acts Of Terrorism Endorsement OP 09 03.

b. Provide coverage for certified acts of terrorism (subject to the cap on liability for losses and subject to underlying policy exclusions such as nuclear hazard); provide coverage (subject to underlying policy exclusions) for so-called foreign acts of terrorism which do not exceed the \$5 million threshold for federal certification; and exclude other acts of terrorism subject to a \$25 million threshold (with no dollar threshold on nuclear, biological or chemical events). The exclusion does not extend to fire following an act of terrorism due to state statutory requirement. Use Limited Exclusion Of Acts Of Terrorism (Other Than Certified Acts Of Terrorism); Cap On Losses From Certified Acts Of Terrorism; Coverage For Certain Fire Losses Endorsement OP 09 06.



## CAPITAL ASSETS

- ~~c. Provide coverage for certified acts of terrorism (subject to the cap on liability for losses and subject to underlying policy exclusions such as nuclear hazard); provide coverage (subject to underlying policy exclusions) for so-called foreign acts of terrorism which do not exceed the \$5 million threshold for federal certification; and exclude other acts of terrorism only if those acts qualify as biological or chemical terrorist events. The exclusion does not extend to fire following an act of terrorism due to state statutory requirement. Use Exclusion Of Acts Of Biological Or Chemical Terrorism; Cap On Losses From Certified Acts Of Terrorism; Coverage For Certain Fire Losses Endorsement OP 09 08.~~
- 2. When coverage for certified acts of terrorism is not to be provided (or is to be provided with a specific limitation), the following options are available: exclude coverage for certified acts of terrorism by using Exclusion Of Certified Acts Of Terrorism Endorsement OP 09 04. The exclusion does not extend to acts of terrorism that are not certified (for example, acts which do not exceed the dollar threshold for federal certification or acts which occur outside the jurisdictional boundary of the federal program).
  - ~~a. Exclude coverage for certified acts of terrorism, and cover other acts of terrorism subject to underlying policy exclusions such as nuclear hazard. Use Exclusion Of Certified Acts Of Terrorism Endorsement OP 09 05.~~
  - ~~b. Exclude coverage for certified acts of terrorism; and exclude coverage for other acts of terrorism subject to a \$25 million threshold (with no dollar threshold on nuclear, biological or chemical events). The exclusion does not extend to fire following an "other act of terrorism" due to state statutory requirement. Use Connecticut Exclusion Of Certified Acts And Other Acts Of Terrorism; Coverage For Certain Fire Losses Resulting From Other Acts Of Terrorism Endorsement OP 09 30.~~
  - ~~c. Exclude coverage for certified acts of terrorism; and exclude coverage for other acts of terrorism when such other acts qualify as a biological or chemical terrorist event. The exclusion does not extend to fire following an "other act of terrorism" due to state statutory requirement. Use Connecticut Exclusion Of Certified Acts Of Terrorism And Biological Or Chemical Acts Of Terrorism; Coverage For Certain Fire Losses Resulting From Biological Or Chemical Acts Of Terrorism Endorsement OP 09 31.~~
- 3. The exclusion addressed in Paragraph 2. does not extend to fire following an act of terrorism, with respect to states which have a Standard Fire Policy (SFP) statute or similar statute prohibiting such exclusion or limitation for certain property lines of business. Under Endorsement OP 09 04, use the Schedule to indicate applicability of the Exception Covering Certain Fire Losses. That Exception is contained in the aforementioned endorsement.

Refer to the most current Notice To Manualholders in this Terrorism Supplement for a chart of SFP status by state and line of business.
- 4. The federal program does not include Canada, and therefore endorsements relating to certified acts of terrorism are not relevant to acts of terrorism occurring in Canada. The federal program in general encompasses losses that occur within the United States, with State defined in the Act to include U.S. territories and possessions and the commonwealth of Puerto Rico. For commercial property insurance provided under the Capital Assets Program (Output Policy) Coverage Part, the coverage territory as addressed in Capital Assets Program (Output Policy) Coverage Form OP 00 01 is the United States, its territories and possessions, Puerto Rico and Canada. The foregoing is for information only; this Terrorism Supplement does not address policywriting outside the aforementioned coverage territory.

## CAPITAL ASSETS

**B. THE FOLLOWING PARAGRAPHS, B.1. THROUGH B.3., INSTRUCT ON THE USAGE OF CONDITIONAL TERRORISM ENDORSEMENT OPTIONS FOR:**

- **POLICIES THAT BECOME EFFECTIVE DURING THE LAST PROGRAM YEAR OF THE FEDERAL PROGRAM, WITH A POLICY TERM THAT EXTENDS PAST THE TERMINATION DATE OF THAT PROGRAM;**
- **POLICIES WRITTEN TO BECOME EFFECTIVE AFTER THE SCHEDULED TERMINATION DATE OF THE FEDERAL PROGRAM, IF THE DISPOSITION OF SUCH PROGRAM IS UNCERTAIN AT THE TIME THE POLICY IS WRITTEN.**

**THESE CONDITIONAL ENDORSEMENTS ARE DESIGNED TO BE USED IN CONJUNCTION WITH (ON THE SAME POLICY AS) THE ENDORSEMENTS DESCRIBED ABOVE AND CAN ALSO BE USED IN THE ABSENCE OF SUCH ENDORSEMENTS. REFER TO PARAGRAPH C. OF THIS RULE FOR POLICIES THAT BECOME EFFECTIVE AFTER THE TERMINATION OF THE TERRORISM RISK INSURANCE PROGRAM.**

The following information is based on a scheduled termination date of December 31, 2007/2014. However, if there is an extension of the federal Program beyond 2007/2014 and this line of business remains subject to TRIA under such extension, then the following information would apply instead to the last Program Year enacted via the extension, provided the federal Program will end on a specified date with respect to all policies for this line of business (a so-called hard ending).

Policies that become effective on or after January 1, 2007-2014 may not have the federal backstop apply throughout the entire policy period. The following conditional endorsement options provide insurers with tools to address terrorism exposures given the anticipated termination of the federal Program, which may occur during the policy period. The provisions of the conditional endorsement will apply commencing when the federal Program terminates or is extended without "make available" requirements and with certain changes (revised definition of terrorism; or terrorism coverage made subject to terms or conditions different from those that apply to other events; or increase in insurer retention of or participation in losses). If the aforementioned conditions do not occur, the provisions of the conditional endorsement will not become effective on the policy.

1. To exclude terrorism coverage, attach Conditional Exclusion Of Terrorism (Relating To Disposition Of Federal Terrorism Risk Insurance Act) Endorsement OP 09 20.
2. To exclude coverage for terrorism that involves nuclear, biological or chemical materials (thereby leaving intact any underlying coverage for terrorism that does not involve nuclear, biological or chemical material), attach Conditional Exclusion Of Terrorism Involving Nuclear, Biological Or Chemical Terrorism (Relating To Disposition Of Federal Terrorism Risk Insurance Act) Endorsement OP 09 21.
3. To provide coverage for terrorism subject to an annual aggregate sub-limit (and subject to underlying policy provisions including exclusions such as the nuclear hazard exclusion and war and military action exclusion), attach Conditional Limitation Of Coverage For Terrorism - Sub-Limit On Annual Aggregate Basis (Relating To Disposition Of Federal Terrorism Risk Insurance Act) Endorsement OP 09 22.

If this conditional endorsement is used along with a sub-limit endorsement described in Paragraph A., do not enter a sub-limit amount for the conditional endorsement. A footnote in the Schedule of the conditional endorsement makes reference to relevant text within the endorsement, which in turn explains that the original sub-limit endorsement states the amount of the sub-limit.

**C. THE FOLLOWING PARAGRAPHS, C.1. THROUGH C.3., INSTRUCT ON THE USAGE OF TERRORISM ENDORSEMENT OPTIONS THAT MAY BE ATTACHED TO:**

**POLICIES THAT BECOME EFFECTIVE ON OR AFTER THE DATE WHEN THE TERRORISM RISK INSURANCE PROGRAM HAS TERMINATED;**

**POLICIES THAT BECOME EFFECTIVE ON OR AFTER THE DATE WHEN AN EXTENSION OF THE TERRORISM RISK INSURANCE PROGRAM HAS GONE INTO EFFECT, IF THE PROGRAM WAS EXTENDED WITHOUT MAKE-AVAILABLE REQUIREMENTS AND WITH CERTAIN CHANGES (REVISED DEFINITION OF TERRORISM; OR TERRORISM COVERAGE MADE SUBJECT TO TERMS OR CONDITIONS DIFFERENT FROM THOSE THAT APPLY TO OTHER EVENTS; OR INCREASE IN INSURER RETENTION OF OR PARTICIPATION IN LOSSES).**

1. To exclude terrorism coverage, attach Exclusion Of Terrorism Endorsement OP 09 23.
2. To exclude coverage for terrorism that involves nuclear, biological or chemical materials (thereby leaving intact any underlying coverage for terrorism that does not involve nuclear, biological or chemical material), attach Exclusion Of Terrorism Involving Nuclear, Biological Or Chemical Terrorism Endorsement OP 09 24.

## CAPITAL ASSETS

3. To provide coverage for terrorism subject to an annual aggregate sub-limit (and subject to underlying policy provisions including exclusions such as the nuclear hazard exclusion and war and military action exclusion), attach Limitation Of Coverage For Terrorism – Sub-Limit On Annual Aggregate Basis Endorsement OP 09 25.

## CAPITAL ASSETS

### VERSION TE105 - CAPITAL ASSETS (OUTPUT POLICY) PROGRAM

#### TERRORISM OPTIONS - FEDERAL BACKSTOP

##### INTRODUCTION

The "Terrorism Risk Insurance Act" ("TRIA") establishes a program within the Department of the Treasury in which the Federal Government will share the risk of loss from terrorist attacks with the insurance industry. Federal participation will be triggered when the Secretary of the Treasury certifies an act of terrorism, in concurrence with the Secretary of State and the Attorney General of the United States, to be an act of terrorism committed by an individual(s) acting on behalf of any foreign interest, provided the terrorist act results in aggregate losses in excess of an amount stated in the Act. With respect to insured losses resulting from a certified act of terrorism, the Federal Government will reimburse individual insurers for a percentage of losses (as stated in the Act) in excess of the insurer's retention, which is based on a specified percentage of the insurer's earned premium for the year preceding the loss. Insured losses covered by the program are capped at \$100 billion per year unless subsequent action of Congress changes that amount; this provision serves to limit insurers' liability for losses. If a terrorism event pierces the cap of a given year, insured losses paid (amounts below the cap) under the federal program may be subject to pro rata allocation in accordance with procedures established by the Treasury. All insurers providing commercial property insurance are required to participate in the program to the extent of offering and making available coverage for certified acts of terrorism in accordance with the terms and conditions of coverage which apply to other perils.

For all new and renewal business, an insurer must make available to insureds coverage for losses caused by certified acts of terrorism. The insurer must disclose to the policyholder the premium for losses covered, and the federal share of compensation for such losses under the program and the existence of the \$100 billion cap, at the time of offer, purchase and renewal of the policy.

##### IMPORTANT GENERAL INFORMATION

In the policy Declarations (or by other means at the insurer's option), it is advisable to indicate applicability of terrorism endorsements by line of business. This is especially important for a package policy that includes both TRIA and non-TRIA lines of business.

**A. THE FOLLOWING PARAGRAPHS, A.1. AND A.2., IN THIS SECTION, A., INSTRUCT ON THE USAGE OF TERRORISM ENDORSEMENT OPTIONS THAT MAY BE ATTACHED TO POLICIES THAT BECOME EFFECTIVE WHILE THE TERRORISM RISK INSURANCE PROGRAM IS IN EFFECT. REFER TO PARAGRAPH B. OF THIS RULE FOR ADDITIONAL INSTRUCTIONS REGARDING THOSE POLICIES THAT WILL CONTINUE PAST THE ANTICIPATED TERMINATION OF THE TERRORISM RISK INSURANCE PROGRAM. POLICIES THAT BEGIN IN THE LAST PROGRAM YEAR OF THE FEDERAL PROGRAM MAY REQUIRE THE USE OF TWO ENDORSEMENTS DUE TO THE ANTICIPATED MID-TERM TERMINATION OF THE TERRORISM RISK INSURANCE PROGRAM.**

When coverage for certified acts of terrorism:

1. When coverage for certified acts of terrorism is to be provided, the following options are available: use Cap On Losses From Certified Acts Of Terrorism Endorsement OP 09 03. Coverage for certified acts of terrorism is subject to the statutory cap on liability for losses and subject to the nuclear hazard exclusion and all other underlying policy exclusions. Coverage for acts of terrorism that are not certified (for example, acts which do not exceed the dollar threshold for federal certification or acts which occur outside the jurisdictional boundary of the federal program) is not subject to the statutory cap.
  - a. Provide coverage for certified acts of terrorism (subject to the cap on liability for losses and subject to underlying policy exclusions such as nuclear hazard) and for any other acts of terrorism (subject to underlying policy exclusions). Use Cap On Losses From Certified Acts Of Terrorism Endorsement OP 09 03.
  - b. Provide coverage for certified acts of terrorism (subject to the cap on liability for losses and subject to underlying policy exclusions such as nuclear hazard); provide coverage (subject to underlying policy exclusions) for so-called foreign acts of terrorism which do not exceed the \$5 million threshold for federal certification; and exclude other acts of terrorism subject to a \$25 million threshold (with no dollar threshold on nuclear, biological or chemical events). The exclusion does not extend to fire following an act of terrorism due to a state statutory requirement. Use Limited Exclusion Of Acts Of Terrorism (Other Than Certified Acts Of Terrorism); Cap On Losses From Certified Acts Of Terrorism; Coverage For Certain Fire Losses Endorsement OP 09 06.

## CAPITAL ASSETS

**B. THE FOLLOWING PARAGRAPHS, B.1. THROUGH B.3., INSTRUCT ON THE USAGE OF CONDITIONAL TERRORISM ENDORSEMENT OPTIONS FOR:**

- **POLICIES THAT BECOME EFFECTIVE DURING THE LAST PROGRAM YEAR OF THE FEDERAL PROGRAM, WITH A POLICY TERM THAT EXTENDS PAST THE TERMINATION DATE OF THAT PROGRAM;**
- **POLICIES WRITTEN TO BECOME EFFECTIVE AFTER THE SCHEDULED TERMINATION DATE OF THE FEDERAL PROGRAM, IF THE DISPOSITION OF SUCH PROGRAM IS UNCERTAIN AT THE TIME THE POLICY IS WRITTEN.**

**THESE CONDITIONAL ENDORSEMENTS ARE DESIGNED TO BE USED IN CONJUNCTION WITH (ON THE SAME POLICY AS) THE ENDORSEMENTS DESCRIBED ABOVE AND CAN ALSO BE USED IN THE ABSENCE OF SUCH ENDORSEMENTS. REFER TO PARAGRAPH C. OF THIS RULE FOR POLICIES THAT BECOME EFFECTIVE AFTER THE TERMINATION OF THE TERRORISM RISK INSURANCE PROGRAM.**

The following information is based on a scheduled termination date of December 31, 2007~~2014~~. However, if there is an extension of the federal Program beyond 2007~~2014~~ and this line of business remains subject to TRIA under such extension, then the following information would apply instead to the last Program Year enacted via the extension, provided the federal Program will end on a specified date with respect to all policies for this line of business (a so-called hard ending).

Policies that become effective on or after January 1, 2007-~~2014~~ may not have the federal backstop apply throughout the entire policy period. The following conditional endorsement options provide insurers with tools to address terrorism exposures given the anticipated termination of the federal Program, which may occur during the policy period. The provisions of the conditional endorsement will apply commencing when the federal Program terminates or is extended without "make available" requirements and with certain changes (revised definition of terrorism; or terrorism coverage made subject to terms or conditions different from those that apply to other events; or increase in insurer retention of or participation in losses). If the aforementioned conditions do not occur, the provisions of the conditional endorsement will not become effective on the policy.

1. To exclude terrorism coverage, attach Conditional Exclusion Of Terrorism (Relating To Disposition Of Federal Terrorism Risk Insurance Act) Endorsement OP 09 20.
2. To exclude coverage for terrorism that involves nuclear, biological or chemical materials (thereby leaving intact any underlying coverage for terrorism that does not involve nuclear, biological or chemical material), attach Conditional Exclusion Of Terrorism Involving Nuclear, Biological Or Chemical Terrorism (Relating To Disposition Of Federal Terrorism Risk Insurance Act) Endorsement OP 09 21.
3. To provide coverage for terrorism subject to an annual aggregate sub-limit (and subject to underlying policy provisions including exclusions such as the nuclear hazard exclusion and war and military action exclusion), attach Conditional Limitation Of Coverage For Terrorism – Sub-Limit On Annual Aggregate Basis (Relating To Disposition Of Federal Terrorism Risk Insurance Act) Endorsement OP 09 22.

If this conditional endorsement is used along with a sub-limit endorsement described in Paragraph A., do not enter a sub-limit amount for the conditional endorsement. A footnote in the Schedule of the conditional endorsement makes reference to relevant text within the endorsement, which in turn explains that the original sub-limit endorsement states the amount of the sub-limit.

**C. THE FOLLOWING PARAGRAPHS, C.1. THROUGH C.3., INSTRUCT ON THE USAGE OF TERRORISM ENDORSEMENT OPTIONS THAT MAY BE ATTACHED TO:**

**POLICIES THAT BECOME EFFECTIVE ON OR AFTER THE DATE WHEN THE TERRORISM RISK INSURANCE PROGRAM HAS TERMINATED;**

**POLICIES THAT BECOME EFFECTIVE ON OR AFTER THE DATE WHEN AN EXTENSION OF THE TERRORISM RISK INSURANCE PROGRAM HAS GONE INTO EFFECT, IF THE PROGRAM WAS EXTENDED WITHOUT MAKE-AVAILABLE REQUIREMENTS AND WITH CERTAIN CHANGES (REVISED DEFINITION OF TERRORISM; OR TERRORISM COVERAGE MADE SUBJECT TO TERMS OR CONDITIONS DIFFERENT FROM THOSE THAT APPLY TO OTHER EVENTS; OR INCREASE IN INSURER RETENTION OF OR PARTICIPATION IN LOSSES).**

1. To exclude terrorism coverage, attach Exclusion Of Terrorism Endorsement OP 09 23.
2. To exclude coverage for terrorism that involves nuclear, biological or chemical materials (thereby leaving intact any underlying coverage for terrorism that does not involve nuclear, biological or chemical material), attach Exclusion Of Terrorism Involving Nuclear, Biological Or Chemical Terrorism Endorsement OP 09 24.

## CAPITAL ASSETS

3. To provide coverage for terrorism subject to an annual aggregate sub-limit (and subject to underlying policy provisions including exclusions such as the nuclear hazard exclusion and war and military action exclusion), attach Limitation Of Coverage For Terrorism – Sub-Limit On Annual Aggregate Basis Endorsement OP 09 25.

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*Company Tracking Number:*      *CL 2007-RTRP1*  
*TOI:*                      *09.0 Inland Marine*                      *Sub-TOI:*                      *09.0005 Other Commercial Inland Marine*  
*Product Name:*              *TRIA*  
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*Project Name/Number:*      */*

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## COMMERCIAL PROPERTY PRICING

- c. If the insured rejects coverage for certified acts of terrorism, that rejection does not apply to fire following a certified act of terrorism, due to a state statutory requirement. To develop a rate only for such fire coverage, apply a factor to the rate for certified acts of terrorism coverage. (Refer to the loss cost section of this Terrorism Supplement for the appropriate factor for fire-only coverage.)

### 3. Prorating

#### a. When Certified Exclusion And Conditional Exclusion Are Not Used

Prorate the rate based on the proportion of time the policy is in effect in each Year of the federal Program. Example: For a policy with an annual term beginning on 10/01/04, the rate would be the sum of 25% of the Program Year 2 rate and 75% of the Program Year 3 rate.

For annual policies with a term that begins in the last Program Year of the federal Program and extends into the following year, prorate the rate using applicable Program Year rates and Full rates, based on the proportion of time the policy will be in effect before and after the Program's termination. If such a policy is rated prior to a Congressional decision on extension of the federal Program, the insurer may:

- (1) Prorate as indicated above, based on the federal Program's anticipated termination date. If the federal Program is extended, recalculate the premium and refund the excess premium, unless such amount falls within the waiver of return premium, if any, on file for the insurer in this state; or
- (2) Use the applicable Program Year rates for the entire annual policy period, instead of prorating. If the federal Program terminates, recalculate the premium and charge additional premium. If the federal Program is extended with changes in the backstop, recalculate the premium and charge additional premium or refund excess premium, if applicable. The additional or return premium may be waived if such amount falls within the waiver of additional or return premium, if any, on file for the insurer in this state.

#### b. When Terrorism Coverage Applies Subject To Conditional Exclusion

When a conditional exclusion is attached, the duration of coverage and the commensurate premium are not fully determined until the disposition of the federal Program is decided. When a conditional exclusion is used, prorate the applicable Program Year rate based on the proportion of time that coverage will apply. Make no charge (charge for fire only in Standard Fire Policy states – see Paragraph B.2.c. in such states) for the portion of time that coverage will be excluded. Example: Annual policy begins on 6/01/07<sup>14</sup>; exclusion is anticipated to become effective on 1/01/08<sup>15</sup>. The rate would be 59% (214/365 days) of the rate applicable to the 2007<sup>2014</sup> Program Year.

If such a policy is rated prior to a Congressional decision on extension of the federal Program, the insurer may:

- (1) Prorate as indicated above, based on the federal Program's anticipated termination date. If the federal Program is extended in such a manner that the conditional exclusion does not become applicable, and coverage continues to apply, recalculate the premium and charge additional premium unless such amount falls within the waiver of additional premium, if any, on file for the insurer in this state; or
- (2) Calculate the premium using the applicable Program Year rate for the entire policy term. If the federal Program terminates, recalculate the premium by prorating that applicable Program Year rate and refund the excess premium. If the federal Program is extended in such a manner that the conditional exclusion does not become applicable, and coverage continues to apply, recalculate the premium and charge additional premium or refund excess premium, if applicable. The additional or return premium may be waived if such amount falls within the waiver of additional or return premium, if any, on file for the insurer in this state.

### 4. Disclosure Of Premium

#### a. For Policies That Begin Prior To The Last Program Year Of The Federal Program

## COMMERCIAL PROPERTY PRICING

Disclosure of premium attributable to coverage for certified acts of terrorism, and disclosure of federal participation in payment of potential terrorism losses and existence of the \$100 billion cap, is a condition for reimbursement under the federal program. The following endorsements, Use Disclosure Pursuant To Terrorism Risk Insurance Act Endorsement IL 09 85, which responds to the Treasury Guidance on line item disclosure, may be used:

a. ~~Use Disclosure Pursuant To Terrorism Risk Insurance Act Endorsement IL 09 85 unless Paragraph B.4.b. or B.4.c. applies.~~

**b. For Policies That Begin In The Last Program Year Of The Federal Program**

**b.(1)** Use Disclosure Of Premium Through End Of Year For Certified Acts Of Terrorism Coverage (Pursuant To Terrorism Risk Insurance Act) Endorsement IL 09 98 for policies that begin in the last Program Year of the federal Program and extend into the following year, when a Conditional Exclusion is used and premium is being disclosed only for the period during which the federal Program is in effect. This is the situation described in Paragraph B.3.b.(1). This endorsement recognizes the possibility of a mid-term additional premium charge.

**b.(2)** Use Disclosure Of Premium And Estimated Premium For Certified Acts Of Terrorism Coverage (Pursuant To Terrorism Risk Insurance Act) Endorsement IL 09 99 for policies that begin in the last Program Year of the federal Program and extend into the following year, when premium is being disclosed for the period during which the federal Program is in effect and estimated premium is being disclosed for the remainder of the policy term. This situation is described in Paragraphs B.3.a.(1), B.3.a.(2) and B.3.b.(2). This endorsement recognizes the possibility of a mid-term additional premium charge or return of excess premium.

**C. Certified Acts Of Terrorism – Limited Coverage**

**1. General**

Loss costs for certified acts of terrorism coverage are provided in the loss cost section of this Terrorism Supplement. Loss costs that are identified by Program Year recognize federal participation in covering losses. If loss costs for years subsequent to Year 3 are not provided in this Terrorism Supplement, use the loss costs shown for Year 3 instead. Loss costs are also displayed for the time period following termination of the federal Program; such loss costs are designated as Full loss costs, to reflect the absence of federal participation in losses. Refer to Paragraph B.3. for information on prorating.

**2. Premium Determination**

**a. Coverage For Certified Acts Of Terrorism Excluding Nuclear, Biological And Chemical (NBC) Events**

Develop a rate for certified acts of terrorism coverage as indicated in Paragraphs B.2.a. and B.2.b. Adjust that rate by applying a factor as provided in the loss cost section of this Terrorism Supplement. Multiply the adjusted rate by the Limit of Insurance in hundreds to obtain the premium for this limited form of certified acts coverage.

Do not apply the factor provided in Paragraph B.2.c.

**b. Sub-Limit On Certified Acts Of Terrorism Coverage**

Develop a rate for certified acts of terrorism coverage as indicated in Paragraph B.2.a. Adjust that rate by applying the appropriate factor from the display below, based on the percentage that the selected sub-limit bears to the full value of the property. Multiply the adjusted rate by the sub-limit (in hundreds) to obtain the premium for this limited form of certified acts coverage.

Do not apply the factor provided in Paragraph B.2.c.

This rating provision, Paragraph C.2.b., does not apply to time element rating.

Percent of Full (100%) Value	Factor
50 %	<u>1.551.63</u>
25	<u>2.993.05</u>
10	<u>7.007.35</u>

## COMMERCIAL PROPERTY PRICING

5

12.0012.60

Percentages other than those shown are calculated by interpolation.

### 3. Prorating

Refer to Paragraphs B.3.a. and B.3.b.

### 4. Disclosure Of Premium

Refer to Paragraphs B.4.a., B.4.b.(1) and B.4.b.(2)c.

#### ~~D. Domestic Terrorism Exclusion Or Sub Limit~~

~~The Basic Group I class loss costs in the state manual and the Basic Group I loss costs for specifically rated properties include a provision to reflect the domestic terrorism peril.~~

~~1. When the domestic terrorism peril is excluded, apply a factor of .995 to the Basic Group I loss cost for class and specifically rated properties.~~

~~2. To exclude nuclear, biological and chemical events only from the domestic terrorism peril, apply a factor of .999 to the Basic Group I loss cost for class and specifically rated properties.~~

~~3. When a sub limit is written on both certified and other acts of terrorism, develop the premium in accordance with a., b. and c. below:~~

~~a. Apply a factor of .995 to the Basic Group I loss cost for class and specifically rated properties.~~

~~b. Develop a rate for certified acts of terrorism coverage as indicated in Paragraph B.2.a. (Do not apply other factors provided in Paragraph B., if any.) Adjust that rate by applying the appropriate factor from the display below, based on the percentage that the selected sub limit bears to the full value of the property. The resulting rate reflects both certified and other acts of terrorism coverage.~~

~~When the loss cost for certified acts of terrorism is \$.02 or greater, the factors in Column 1 apply. Otherwise, the factors in Column 2 apply. When more than one loss cost is indicated (for example, Year 3 and Full) because the policy term spans more than one "year" of the federal program, base the selection of Column 1 versus Column 2 on the size of the larger loss cost. This selection process is based on the size of the loss cost, not on the size of the rate.~~

Percent of Full (100%) Value		Factor	
		Column 1	Column 2
50	%	1.60	1.64
25		2.99	3.07
10		7.21	7.42
5		12.36	12.72

~~Percentages other than those shown are calculated by interpolation.~~

~~c. Multiply the adjusted rate by the sub limit (in hundreds) to obtain the premium for this limited form of certified/domestic terrorism coverage.~~

~~This rating provision, Paragraph D.3., does not apply to time element rating.~~

~~Refer to the rule titled Terrorism Options — Federal Backstop, in this Terrorism Supplement, for information on endorsements that exclude or limit coverage.~~

#### **ED. Individual Risk Situations**

1. Rule 2. Referrals To Company may be used for rating any risk or exposure for which the manual rate is clearly demonstrated to be inappropriate because of the nature of the exposure to terrorist acts, whether higher or lower, relative to other risks within the same territory.

## COMMERCIAL PROPERTY PRICING

2. To the extent that Rule 2. Referrals To Company is used to rate a particular risk, companies should maintain complete files, including all details of the factors used in determining the rate or classification for a particular risk and make these files available to state regulators on request. Such rates or classifications need not be filed with the state regulator. This does not apply when a company has developed or prepared a manual or schedule of rates which includes a classification applicable to a risk being written. To the extent that filing requirements apply to such a manual or schedule of rates, they must be followed.

## COMMERCIAL PROPERTY PRICING

VERSION PE124

### TERRORISM PRICING – FEDERAL BACKSTOP

#### A. Introduction

The "Terrorism Risk Insurance Act" ("TRIA") establishes a program within the Department of the Treasury in which the Federal Government will share the risk of loss from terrorist attacks with the insurance industry. Federal participation will be triggered when the Secretary of the Treasury certifies an act of terrorism, in concurrence with the Secretary of State and the Attorney General of the United States, to be an act of terrorism committed by an individual(s) acting on behalf of any foreign interest, provided the terrorist act results in aggregate losses in excess of an amount stated in the Act. With respect to insured losses resulting from a certified act of terrorism, the Federal Government will reimburse individual insurers for a percentage of losses (as stated in the Act) in excess of the insurer's retention, which is based on a specified percentage of the insurer's earned premium for the year preceding the loss. Insured losses covered by the program are capped at \$100 billion per year unless subsequent action of Congress changes that amount; this provision serves to limit insurers' liability for losses. If a terrorism event pierces the cap of a given year, insured losses paid (amounts below the cap) under the federal program may be subject to pro rata allocation in accordance with procedures established by the Treasury.

Refer to the rule titled Terrorism Options – Federal Backstop for information concerning coverage options.

#### B. Certified Acts Of Terrorism Covered Or Excluded

##### 1. General

Loss costs for certified acts of terrorism coverage are provided in the loss cost section of this Terrorism Supplement. Loss costs that are identified by Program Year recognize federal participation in covering losses. If loss costs for years subsequent to Year 3 are not provided in this Terrorism Supplement, use the loss costs shown for Year 3 instead. Loss costs are also displayed for the time period following termination of the federal Program; such loss costs are designated as Full loss costs, to reflect the absence of federal participation in losses. Refer to Paragraph B.3. for information on prorating.

##### 2. Premium Determination

The Basic Group I class loss costs in the state manual and the Basic Group I loss costs for specifically rated properties include a provision to reflect the domestic terrorism peril. Certified acts of terrorism now include certain domestic acts. When coverage is provided for certified acts, apply a factor of .990 to all Basic Group I loss costs, because certain domestic acts are subject to the federal backstop. When coverage is excluded for certified acts, apply the same factor to all Basic Group I loss costs, in recognition of the exclusion. Refer to Paragraphs B.2.a., B.2.b. and B.2.c. for additional instructions on premium determination.

a. When coverage is provided for certified acts, Develop premium for property damage insurance using building and contents rates developed from the loss costs for certified acts of terrorism coverage. Adjust the rate by applying rate modification factors reflecting public protection classification (if applicable in this jurisdiction), coinsurance level and deductible. If rate modification factors vary by Cause of Loss, use the factors for Basic Group I. Package modification does not apply. Apply the adjusted rate to the appropriate limit of insurance in hundreds to obtain the premium for certified acts of terrorism coverage.

b. When coverage is provided for certified acts, Develop premium for time element insurance using the building rate developed above (but without adjustment for property damage deductible or property damage coinsurance level) as the base rate. Multiply the base rate by the appropriate business income and/or extra expense rating factors provided under Rules 50. and 52. to obtain the time element rate. Apply the time element rate to the appropriate limit of insurance in hundreds to obtain the premium for certified acts of terrorism coverage.

## COMMERCIAL PROPERTY PRICING

- c. For insurance on real property used predominantly for residential purposes and consisting of not more than four dwelling units, coverage for fire following terrorism must be provided, due to a state statutory requirement. Therefore, with respect to such property, if the insured rejects coverage for certified acts of terrorism, that rejection does not apply to fire following a certified act. To develop a rate only for such fire coverage, apply a factor to the rate for certified acts of terrorism coverage. (Refer to the loss cost section of this Terrorism Supplement for the appropriate factor for fire-only coverage.)

### 3. Prorating

#### a. When Certified Exclusion And Conditional Exclusion Are Not Used

Prorate the rate based on the proportion of time the policy is in effect in each Year of the federal Program. Example: For a policy with an annual term beginning on 10/01/04, the rate would be the sum of 25% of the Program Year 2 rate and 75% of the Program Year 3 rate.

For annual policies with a term that begins in the last Program Year of the federal Program and extends into the following year, prorate the rate using applicable Program Year rates and Full rates, based on the proportion of time the policy will be in effect before and after the Program's termination. If such a policy is rated prior to a Congressional decision on extension of the federal Program, the insurer may:

- (1) Prorate as indicated above, based on the federal Program's anticipated termination date. If the federal Program is extended, recalculate the premium and refund the excess premium, unless such amount falls within the waiver of return premium, if any, on file for the insurer in this state; or
- (2) Use the applicable Program Year rates for the entire annual policy period, instead of prorating. If the federal Program terminates, recalculate the premium and charge additional premium. If the federal Program is extended with changes in the backstop, recalculate the premium and charge additional premium or refund excess premium, if applicable. The additional or return premium may be waived if such amount falls within the waiver of additional or return premium, if any, on file for the insurer in this state.

#### b. When Terrorism Coverage Applies Subject To Conditional Exclusion

When a conditional exclusion is attached, the duration of coverage and the commensurate premium are not fully determined until the disposition of the federal Program is decided. When a conditional exclusion is used, prorate the applicable Program Year rate based on the proportion of time that coverage will apply. Make no charge (charge for fire only in Standard Fire Policy states – see Paragraph B.2.c. in such states) for the portion of time that coverage will be excluded. Example: Annual policy begins on 6/01/07; exclusion is anticipated to become effective on 1/01/08. The rate would be 59% (214/365 days) of the rate applicable to the 2007 Program Year.

If such a policy is rated prior to a Congressional decision on extension of the federal Program, the insurer may:

- (1) Prorate as indicated above, based on the federal Program's anticipated termination date. If the federal Program is extended in such a manner that the conditional exclusion does not become applicable, and coverage continues to apply, recalculate the premium and charge additional premium unless such amount falls within the waiver of additional premium, if any, on file for the insurer in this state; or
- (2) Calculate the premium using the applicable Program Year rate for the entire policy term. If the federal Program terminates, recalculate the premium by prorating that applicable Program Year rate and refund the excess premium. If the federal Program is extended in such a manner that the conditional exclusion does not become applicable, and coverage continues to apply, recalculate the premium and charge additional premium or refund excess premium, if applicable. The additional or return premium may be waived if such amount falls within the waiver of additional or return premium, if any, on file for the insurer in this state.

## COMMERCIAL PROPERTY PRICING

### 4. Disclosure Of Premium

#### a. For Policies That Begin Prior To The Last Program Year Of The Federal Program

Disclosure of premium attributable to coverage for certified acts of terrorism, and disclosure of federal participation in payment of potential terrorism losses and existence of the \$100 billion cap, is a condition for reimbursement under the federal program. The following endorsements, Use Disclosure Pursuant To Terrorism Risk Insurance Act Endorsement IL 09 85, which responds to the Treasury Guidance on line item disclosure, may be used:

~~a. Use Disclosure Pursuant To Terrorism Risk Insurance Act Endorsement IL 09 85 unless Paragraph B.4.b. or B.4.c. applies.~~

#### b. For Policies That Begin In The Last Program Year Of The Federal Program

**b.(1)** Use Disclosure Of Premium Through End Of Year For Certified Acts Of Terrorism Coverage (Pursuant To Terrorism Risk Insurance Act) Endorsement IL 09 98 for policies that begin in the last Program Year of the federal Program and extend into the following year, when a Conditional Exclusion is used and premium is being disclosed only for the period during which the federal Program is in effect. This is the situation described in Paragraph B.3.b.(1). This endorsement recognizes the possibility of a mid-term additional premium charge.

**c.(2)** Use Disclosure Of Premium And Estimated Premium For Certified Acts Of Terrorism Coverage (Pursuant To Terrorism Risk Insurance Act) Endorsement IL 09 99 for policies that begin in the last Program Year of the federal Program and extend into the following year, when premium is being disclosed for the period during which the federal Program is in effect and estimated premium is being disclosed for the remainder of the policy term. This situation is described in Paragraphs B.3.a.(1), B.3.a.(2) and B.3.b.(2). This endorsement recognizes the possibility of a mid-term additional premium charge or return of excess premium.

### C. Certified Acts Of Terrorism – Limited Coverage

#### 1. General

Loss costs for certified acts of terrorism coverage are provided in the loss cost section of this Terrorism Supplement. Loss costs that are identified by Program Year recognize federal participation in covering losses. If loss costs for years subsequent to Year 3 are not provided in this Terrorism Supplement, use the loss costs shown for Year 3 instead. Loss costs are also displayed for the time period following termination of the federal Program; such loss costs are designated as Full loss costs, to reflect the absence of federal participation in losses. Refer to Paragraph B.3. for information on prorating.

#### 2. Premium Determination

##### **a. Coverage For Certified Acts Of Terrorism Excluding Nuclear, Biological And Chemical (NBC) Events**

Develop a rate for certified acts of terrorism coverage as indicated in Paragraphs B.2.a. and B.2.b. Adjust that rate by applying a factor as provided in the loss cost section of this Terrorism Supplement. Multiply the adjusted rate by the Limit of Insurance in hundreds to obtain the premium for this limited form of certified acts coverage.

##### **b. Sub-Limit On Certified Acts Of Terrorism Coverage**

Develop a rate for certified acts of terrorism coverage as indicated in Paragraph B.2.a. Adjust that rate by applying the appropriate factor from the display below, based on the percentage that the selected sub-limit bears to the full value of the property. Multiply the adjusted rate by the sub-limit (in hundreds) to obtain the premium for this limited form of certified acts coverage.

This rating provision, Paragraph C.2.b., does not apply to time element rating.

If coverage for fire following terrorism is to be excluded, the factors in Column 1 apply. If coverage for fire following terrorism is to be provided (as explained in Paragraph B.2.c.), the factors in Column 2 apply.

## COMMERCIAL PROPERTY PRICING

Percent of Full (100%) Value		Factor	
		Column 1	Column 2
50	%	1.501.58	1.551.63
25		2.652.78	2.903.05
10		5.005.25	7.007.35
5		8.008.40	12.0012.60

Percentages other than those shown are calculated by interpolation.

### 3. Prorating

Refer to Paragraphs B.3.a. and B.3.b.

### 4. Disclosure Of Premium

Refer to Paragraphs B.4.a., B.4.b.(1) and B.4.b.(2)c.

#### ~~D. Exclusion Of Other Acts Of Terrorism (Acts Other Than Certified Acts); Or Sub-Limit On Certified And Other Acts Of Terrorism~~

~~The Basic Group I class loss costs in the state manual and the Basic Group I loss costs for specifically rated properties include a provision to reflect the peril of terrorism (other than certified acts of terrorism).~~

##### ~~1. When "other acts of terrorism" are excluded from coverage,:~~

- ~~a. Apply a factor of .090 to the Basic Group I loss cost for class and specifically rated properties, when coverage for fire following terrorism is to be excluded.~~
- ~~b. Apply a factor of .095 when coverage for fire following terrorism is to be provided (as explained in Paragraph B.2.c.).~~

##### ~~2. When an exclusion of "other acts of terrorism" is limited to exclusion of nuclear, biological and chemical events only:~~

- ~~a. Apply a factor of .098 to the Basic Group I loss cost for class and specifically rated properties, when coverage for fire following terrorism is to be excluded.~~
- ~~b. Apply a factor of .099 when coverage for fire following terrorism is to be provided (as explained in Paragraph B.2.c.).~~

##### ~~3. When a sub-limit is written on both certified and other acts of terrorism, develop the premium in accordance with a., b. and c. below:~~

- ~~a. Apply a factor of .090 to the Basic Group I loss cost for class and specifically rated properties when coverage for fire following terrorism is to be excluded. Apply a factor of .095 when coverage for fire following terrorism is to be provided (as explained in Paragraph B.2.c.).~~
- ~~b. Develop a rate for certified acts of terrorism coverage as indicated in Paragraph B.2.a. (Do not apply other factors provided in Paragraph B., if any.) Adjust that rate by applying the appropriate factor from the display below, based on the percentage that the selected sub-limit bears to the full value of the property. The resulting rate reflects both certified and other acts of terrorism coverage.~~

~~If coverage for fire following terrorism is to be excluded, the factors in Column 1 apply. If coverage for fire following terrorism is to be provided (as explained in Paragraph B.2.c.), the factors in Column 2 apply.~~

Percent of Full (100%) Value		Factor	
		Column 1	Column 2
50	%	1.59	1.64
25		2.81	3.07
10		5.30	7.42
5		8.48	12.72

Percentages other than those shown are calculated by interpolation.

- ~~c. Multiply the adjusted rate by the sub-limit (in hundreds) to obtain the premium for this limited form of certified/other acts terrorism coverage.~~

~~This rating provision, Paragraph D.3., does not apply to time element rating.~~



## COMMERCIAL PROPERTY PRICING

~~Refer to the rule titled Terrorism Options — Federal Backstop, in this Terrorism Supplement, for information on endorsements that exclude or limit coverage.~~

### ED. Individual Risk Situations

Rule 2. Referrals To Company may be used for rating any risk or exposure for which the manual rate is clearly demonstrated to be inappropriate because of the nature of the exposure to terrorist acts, whether higher or lower, relative to other risks within the same territory.

## COMMERCIAL PROPERTY PRICING

VERSION PE125

### TERRORISM PRICING – FEDERAL BACKSTOP

#### A. Introduction

The "Terrorism Risk Insurance Act ("TRIA") establishes a program within the Department of the Treasury in which the Federal Government will share the risk of loss from terrorist attacks with the insurance industry. Federal participation will be triggered when the Secretary of the Treasury certifies an act of terrorism, in concurrence with the Secretary of State and the Attorney General of the United States, to be an act of terrorism committed by an individual(s) acting on behalf of any foreign interest, provided the terrorist act results in aggregate losses in excess of an amount stated in the Act. With respect to insured losses resulting from a certified act of terrorism, the Federal Government will reimburse individual insurers for a percentage of losses (as stated in the Act) in excess of the insurer's retention, which is based on a specified percentage of the insurer's earned premium for the year preceding the loss. Insured losses covered by the program are capped at \$100 billion per year unless subsequent action of Congress changes that amount; this provision serves to limit insurers' liability for losses. If a terrorism event pierces the cap of a given year, insured losses paid (amounts below the cap) under the federal program may be subject to pro rata allocation in accordance with procedures established by the Treasury.

Refer to the rule titled Terrorism Options – Federal Backstop for information concerning coverage options.

#### B. Certified Acts Of Terrorism Covered Or Excluded

##### 1. General

Loss costs for certified acts of terrorism coverage are provided in the loss cost section of this Terrorism Supplement. Loss costs that are identified by Program Year recognize federal participation in covering losses. If loss costs for years subsequent to Year 3 are not provided in this Terrorism Supplement, use the loss costs shown for Year 3 instead. Loss costs may also be displayed for the time period following termination of the federal Program; such loss costs would be designated as Full loss costs, to reflect the absence of federal participation in losses. Refer to Paragraph B.3. for information on prorating.

##### 2. Premium Determination

The Basic Group I class loss costs in the state manual and the Basic Group I loss costs for specifically rated properties include a provision to reflect the domestic terrorism peril. Certified acts of terrorism now include certain domestic acts. When coverage is provided for certified acts, apply a factor of .990 to all Basic Group I loss costs, because certain domestic acts are subject to the federal backstop. When coverage is excluded for certified acts, apply the same factor to all Basic Group I loss costs, in recognition of the exclusion. Refer to Paragraphs B.2.a. and B.2.b. for additional instructions on premium determination.

- a. When coverage is provided for certified acts, develop premium for property damage insurance using building and contents rates developed from the loss costs for certified acts of terrorism coverage. Adjust the rate by applying rate modification factors reflecting public protection classification (if applicable in this jurisdiction), coinsurance level and deductible. If rate modification factors vary by Cause of Loss, use the factors for Basic Group I. Package modification does not apply. Apply the adjusted rate to the appropriate limit of insurance in hundreds to obtain the premium for certified acts of terrorism coverage.
- b. When coverage is provided for certified acts, develop premium for time element insurance using the building rate developed above (but without adjustment for property damage deductible or property damage coinsurance level) as the base rate. Multiply the base rate by the appropriate business income and/or extra expense rating factors provided under Rules 50. and 52. to obtain the time element rate. Apply the time element rate to the appropriate limit of insurance in hundreds to obtain the premium for certified acts of terrorism coverage.

## COMMERCIAL PROPERTY PRICING

### 3. Prorating

#### a. When Certified Exclusion And Conditional Exclusion Are Not Used

Prorate the rate based on the proportion of time the policy is in effect in each Year of the federal Program. Example: For a policy with an annual term beginning on 10/01/04, the rate would be the sum of 25% of the Program Year 2 rate and 75% of the Program Year 3 rate.

For annual policies with a term that begins in the last Program Year of the federal Program and extends into the following year, prorate the rate using applicable Program Year rates and Full rates, based on the proportion of time the policy will be in effect before and after the Program's termination. If such a policy is rated prior to a Congressional decision on extension of the federal Program, the insurer may:

- (1) Prorate as indicated above, based on the federal Program's anticipated termination date. If the federal Program is extended, recalculate the premium and refund the excess premium, unless such amount falls within the waiver of return premium, if any, on file for the insurer in this state; or
- (2) Use the applicable Program Year rates for the entire annual policy period, instead of prorating. If the federal Program terminates, recalculate the premium and charge additional premium. If the federal Program is extended with changes in the backstop, recalculate the premium and charge additional premium or refund excess premium, if applicable. The additional or return premium may be waived if such amount falls within the waiver of additional or return premium, if any, on file for the insurer in this state.

#### b. When Terrorism Coverage Applies Subject To Conditional Exclusion

When a conditional exclusion is attached, the duration of coverage and the commensurate premium are not fully determined until the disposition of the federal Program is decided. When a conditional exclusion is used, prorate the applicable Program Year rate based on the proportion of time that coverage will apply. Make no charge (charge for fire only in Standard Fire Policy states – see Paragraph B.2.c. in such states) for the portion of time that coverage will be excluded. Example: Annual policy begins on 6/01/07<sup>14</sup>; exclusion is anticipated to become effective on 1/01/08<sup>15</sup>. The rate would be: 59% (214/365 days) of the rate applicable to the 2007<sup>2014</sup> Program Year.

If such a policy is rated prior to a Congressional decision on extension of the federal Program, the insurer may:

- (1) Prorate as indicated above, based on the federal Program's anticipated termination date. If the federal Program is extended in such a manner that the conditional exclusion does not become applicable, and coverage continues to apply, recalculate the premium and charge additional premium unless such amount falls within the waiver of additional premium, if any, on file for the insurer in this state; or
- (2) Calculate the premium using the applicable Program Year rate for the entire policy term. If the federal Program terminates, recalculate the premium by prorating that applicable Program Year rate and refund the excess premium. If the federal Program is extended in such a manner that the conditional exclusion does not become applicable, and coverage continues to apply, recalculate the premium and charge additional premium or refund excess premium, if applicable. The additional or return premium may be waived if such amount falls within the waiver of additional or return premium, if any, on file for the insurer in this state.

### 4. Disclosure Of Premium

#### a. For Policies That Begin Prior To The Last Program Year Of The Federal Program

## COMMERCIAL PROPERTY PRICING

Disclosure of premium attributable to coverage for certified acts of terrorism, and disclosure of federal participation in payment of potential terrorism losses and existence of the \$100 billion cap, is a condition for reimbursement under the federal program. The following endorsements, Use Disclosure Pursuant To Terrorism Risk Insurance Act Endorsement IL 09 85, which responds to the Treasury Guidance on line item disclosure, may be used:

- ~~a. Use Disclosure Pursuant To Terrorism Risk Insurance Act Endorsement IL 09 85 unless Paragraph B.4.b. or B.4.c. applies.~~

**b. For Policies That Begin In The Last Program Year Of The Federal Program**

- b.(1)** Use Disclosure Of Premium Through End Of Year For Certified Acts Of Terrorism Coverage (Pursuant To Terrorism Risk Insurance Act) Endorsement IL 09 98 for policies that begin in the last Program Year of the federal Program and extend into the following year, when a Conditional Exclusion is used and premium is being disclosed only for the period during which the federal Program is in effect. This is the situation described in Paragraph B.3.b.(1). This endorsement recognizes the possibility of a mid-term additional premium charge.
- c.(2)** Use Disclosure Of Premium And Estimated Premium For Certified Acts Of Terrorism Coverage (Pursuant To Terrorism Risk Insurance Act) Endorsement IL 09 99 for policies that begin in the last Program Year of the federal Program and extend into the following year, when premium is being disclosed for the period during which the federal Program is in effect and estimated premium is being disclosed for the remainder of the policy term. This situation is described in Paragraphs B.3.a.(1), B.3.a.(2) and B.3.b.(2). This endorsement recognizes the possibility of a mid-term additional premium charge or return of excess premium.

**C. Certified Acts Of Terrorism – Limited Coverage**

**1. General**

Loss costs for certified acts of terrorism coverage are provided in the loss cost section of this Terrorism Supplement. Loss costs that are identified by Program Year recognize federal participation in covering losses. If loss costs for years subsequent to Year 3 are not provided in this Terrorism Supplement, use the loss costs shown for Year 3 instead. Loss costs may also be displayed for the time period following termination of the federal Program; such loss costs would be designated as Full loss costs, to reflect the absence of federal participation in losses. Refer to Paragraph B.3. for information on prorating.

**2. Premium Determination**

**a. Coverage For Certified Acts Of Terrorism Excluding Nuclear, Biological And Chemical Events**

Develop a rate for certified acts of terrorism coverage as indicated in Paragraphs B.2.a. and B.2.b. Adjust that rate by applying a factor of .55. Multiply the adjusted rate by the Limit of Insurance in hundreds to obtain the premium for this limited form of certified acts coverage.

**b. Sub-Limit On Certified Acts Of Terrorism Coverage**

Develop a rate for certified acts of terrorism coverage as indicated in Paragraph B.2.a. Adjust that rate by applying the appropriate factor from the display below, based on the percentage that the selected sub-limit bears to the full value of the property. Multiply the adjusted rate by the sub-limit (in hundreds) to obtain the premium for this limited form of certified acts coverage.

This rating provision, Paragraph C.2.b., does not apply to time element rating.

Percent of Full (100%) Value	Factor
50 %	1.501.58
25	2.652.78
10	5.005.25
5	8.008.40

Percentages other than those shown are calculated by interpolation.

## COMMERCIAL PROPERTY PRICING

### 3. Prorating

Refer to Paragraphs B.3.a. and B.3.b.

### 4. Disclosure Of Premium

Refer to Paragraphs B.4.a., B.4.b.(1) and B.4.b.(2)c.

#### ~~D. Domestic Terrorism Exclusion Or Sub-Limit~~

~~This paragraph, D., applies in the event that a loading for the domestic terrorism peril is reflected in the company's Basic Group I rates.~~

~~1. When the domestic terrorism peril is excluded, apply a factor of .990 to the Basic Group I loss cost for class and specifically rated properties.~~

~~2. To exclude nuclear, biological and chemical events only from the domestic terrorism peril, apply a factor of .998 to the Basic Group I loss cost for class and specifically rated properties.~~

~~3. When a sub-limit is written on both certified and other acts of terrorism, develop the premium in accordance with a., b. and c. below:~~

~~a. Apply a factor of .990 to the Basic Group I loss cost for class and specifically rated properties.~~

~~b. Develop a rate for certified acts of terrorism coverage as indicated in Paragraph B.2.a. (Do not apply other factors provided in Paragraph B., if any.) Adjust that rate by applying the appropriate factor from the display below, based on the percentage that the selected sub-limit bears to the full value of the property. The resulting rate reflects both certified and other acts of terrorism coverage.~~

~~When the loss cost for certified acts of terrorism is \$.02 or greater, the factors in Column 1 apply. Otherwise, the factors in Column 2 apply. When more than one loss cost is indicated (for example, Year 3 and Full) because the policy term spans more than one "year" of the federal program, base the selection of Column 1 versus Column 2 on the size of the larger loss cost. This selection process is based on the size of the loss cost, not on the size of the rate.~~

Percent of Full (100%) Value	Factor	
	Column 1	Column 2
50 %	1.55	1.59
25	2.73	2.81
10	5.15	5.30
5	8.24	8.48

~~Percentages other than those shown are calculated by interpolation.~~

~~c. Multiply the adjusted rate by the sub-limit (in hundreds) to obtain the premium for this limited form of certified/domestic terrorism coverage.~~

~~This rating provision, Paragraph D.3., does not apply to time element rating.~~

~~Refer to the rule titled Terrorism Options - Federal Backstop, in this Terrorism Supplement, for information on endorsements that exclude or limit coverage.~~

#### **ED. Individual Risk Situations**

Rule 2. Referrals To Company may be used for rating any risk or exposure for which the manual rate is clearly demonstrated to be inappropriate because of the nature of the exposure to terrorist acts, whether higher or lower, relative to other risks within the same territory.

## FARM PRICING RULES

## FARM PRICING

### VERSION PE100 – FARM

#### TERRORISM OPTIONS – FEDERAL BACKSTOP – PREMIUM DETERMINATION

This Additional Rule applies to all terrorism coverage options described in all of the Additional Rules pertaining to Terrorism Options – Federal Backstop.

##### A. Premium Determination

For coverage for acts of terrorism, refer to company. Rule 2. Referrals To Company applies.

##### B. Disclosure Of Premium

###### 1. For Policies That Begin Prior To The Last Program Year Of The Federal Program

Disclosure of premium attributable to coverage for certified acts of terrorism, and disclosure of federal participation in payment of potential terrorism losses and existence of the \$100 billion cap, is a condition for reimbursement under the federal Program. ~~The following endorsements, which respond to the Treasury Guidance on line item disclosure, may be used:~~ Use Disclosure Pursuant To Terrorism Risk Insurance Act Endorsement IL 09 85, which responds to the Treasury Guidance on line item disclosure.

- ~~1. Use Disclosure Pursuant To Terrorism Risk Insurance Act Endorsement IL 09 85 unless Paragraph B.2. or B.3. applies.~~

###### 2. For Policies That Begin In The Last Program Year Of The Federal Program

**2a.** Use Disclosure Of Premium Through End Of Year For Certified Acts Of Terrorism Coverage (Pursuant To Terrorism Risk Insurance Act) Endorsement IL 09 98 in the situation where a conditional exclusion endorsement is attached to the policy and premium is initially determined only through the last Program Year of the federal Program because rating is done prior to a federal decision on termination or extension of the federal Program. The Schedule of this disclosure endorsement identifies the premium as relating to coverage through the last Program Year. Paragraph C. of this endorsement explains the determination of premium and the circumstances surrounding such determination, and advises that additional premium may be charged if coverage continues past the last Program Year.

**3b.** Use Disclosure Of Premium And Estimated Premium For Certified Acts Of Terrorism Coverage (Pursuant To Terrorism Risk Insurance Act) Endorsement IL 09 99 when a full-term premium is being disclosed, and is relevant whether or not a conditional exclusion endorsement is attached to the policy. The Schedule of this disclosure endorsement identifies two components of the premium, that is, an amount representing coverage through the last Program Year of the federal Program and an estimated amount of premium for coverage that will be provided or may be provided beyond the last Program Year. Paragraph C. of this endorsement explains the determination of premium and the circumstances surrounding such determination, and advises that additional or return premium may later be indicated depending on disposition of the backstop and continuation or termination of coverage after the last Program Year.

## FARM PRICING

VERSION PE101 – FARM

### TERRORISM OPTIONS – FEDERAL BACKSTOP – PREMIUM DETERMINATION

This Additional Rule applies to all terrorism coverage options described in all of the Additional Rules pertaining to Terrorism Options – Federal Backstop.

#### A. Premium Determination

For coverage for acts of terrorism, refer to company. Rule 2. Referrals To Company applies. Terrorism rates must be filed with the New Jersey Insurance Department.

#### B. Disclosure Of Premium

##### 1. For Policies That Begin Prior To The Last Program Year Of The Federal Program

Disclosure of premium attributable to coverage for certified acts of terrorism, and disclosure of federal participation in payment of potential terrorism losses and existence of the \$100 billion cap, is a condition for reimbursement under the federal Program. ~~The following endorsements, which respond to the Treasury Guidance on line item disclosure, may be used: Use Disclosure Pursuant To Terrorism Risk Insurance Act Endorsement IL 09 85, which responds to the Treasury Guidance on line item disclosure.~~

##### 1. Use Disclosure Pursuant To Terrorism Risk Insurance Act Endorsement IL 09 85 unless Paragraph B.2. or B.3. applies.

##### 2. For Policies That Begin In The Last Program Year Of The Federal Program

2a. Use Disclosure Of Premium Through End Of Year For Certified Acts Of Terrorism Coverage (Pursuant To Terrorism Risk Insurance Act) Endorsement IL 09 98 in the situation where a conditional exclusion endorsement is attached to the policy and premium is initially determined only through the last Program Year of the federal Program because rating is done prior to a federal decision on termination or extension of the federal Program. The Schedule of this disclosure endorsement identifies the premium as relating to coverage through the last Program Year. Paragraph C. of this endorsement explains the determination of premium and the circumstances surrounding such determination, and advises that additional premium may be charged if coverage continues past the last Program Year.

3b. Use Disclosure Of Premium And Estimated Premium For Certified Acts Of Terrorism Coverage (Pursuant To Terrorism Risk Insurance Act) Endorsement IL 09 99 when a full-term premium is being disclosed, and is relevant whether or not a conditional exclusion endorsement is attached to the policy. The Schedule of this disclosure endorsement identifies two components of the premium, that is, an amount representing coverage through the last Program Year of the federal Program and an estimated amount of premium for coverage that will be provided or may be provided beyond the last Program Year. Paragraph C. of this endorsement explains the determination of premium and the circumstances surrounding such determination, and advises that additional or return premium may later be indicated depending on disposition of the backstop and continuation or termination of coverage after the last Program Year.



## FARM PRICING

VERSION PE102 – FARM

### TERRORISM OPTIONS – FEDERAL BACKSTOP – PREMIUM DETERMINATION

This Additional Rule applies to all terrorism coverage options described in all of the Additional Rules pertaining to Terrorism Options – Federal Backstop.

**A. Premium Determination**

For coverage for acts of terrorism, refer to company. Rule 2. Referrals To Company applies.

**B. Disclosure Of Premium**

**1. For Policies That Begin Prior To The Last Program Year Of The Federal Program**

Disclosure of premium attributable to coverage for certified acts of terrorism, and disclosure of federal participation in payment of potential terrorism losses and existence of the \$100 billion cap, is a condition for reimbursement under the federal Program. The following endorsements, which respond to the Treasury Guidance on line item disclosure, may be used: Use Missouri – Disclosure Pursuant To Terrorism Risk Insurance Act Endorsement IL 09 90, which responds to the Treasury Guidance on line item disclosure.

- 1. Use Missouri – Disclosure Pursuant To Terrorism Risk Insurance Act Endorsement IL 09 90 unless Paragraph B.2. or B.3. applies.**

**2. For Policies That Begin In The Last Program Year Of The Federal Program**

- 2a. Use Missouri – Disclosure Of Premium Through End Of Year For Certified Acts Of Terrorism Coverage (Pursuant To Terrorism Risk Insurance Act) Endorsement IL 00 33 in the situation where a conditional exclusion endorsement is attached to the policy and premium is initially determined only through the last Program Year of the federal Program because rating is done prior to a federal decision on termination or extension of the federal Program. The Schedule of this disclosure endorsement identifies the premium as relating to coverage through the last Program Year. Paragraph C. of this endorsement explains the determination of premium and the circumstances surrounding such determination, and advises that additional premium may be charged if coverage continues past the last Program Year.**

- 3b. Use Missouri – Disclosure Of Premium And Estimated Premium For Certified Acts Of Terrorism Coverage (Pursuant To Terrorism Risk Insurance Act) Endorsement IL 00 34 when a full-term premium is being disclosed, and is relevant whether or not a conditional exclusion endorsement is attached to the policy. The Schedule of this disclosure endorsement identifies two components of the premium, that is, an amount representing coverage through the last Program Year of the federal Program and an estimated amount of premium for coverage that will be provided or may be provided beyond the last Program Year. Paragraph C. of this endorsement explains the determination of premium and the circumstances surrounding such determination, and advises that additional or return premium may later be indicated depending on disposition of the backstop and continuation or termination of coverage after the last Program Year.**